Austria	Sch 16	Indonesia	Rp 2700	Portugal	Esc 80
Bahrain	Din 0.650	Italy	L 1300	S. Arabia	Rls 8.00
Belgium	BFr 38	Japan	Y 550	Singapore	S$ 4.10
Canada	C$ 1.00	Jordan	Fils 500	Spain	Pta 110
Cyprus	C£ 0.60	Kuwait	Fils 500	Sri Lanka	Rup 20
Denmark	DKr 7.25	Lebanon	L£ 8.00	Sweden	SKr 5.50
Egypt	E£ 1.00	Luxembourg	LFr 38	Switzerland	SFr 2.20
Finland	Fmk 6.00	Malaysia	Ringgit 4.25	Taiwan	NT$ 65
France	FFr 6.00	Mexico	Pes 200	Tunisia	Din 0.600
Germany	DM 2.20	Morocco	Dh 6.00	Turkey	L 210
Greece	Dr 70	Netherlands	Fl 2.50	U.A.E.	Dh 6.50
Hong Kong	HK$ 12	Norway	NKr 6.00	U.S.A.	$ 1.50
India	Rup 15	Philippines	Pes 20		

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,647 — Wednesday June 12 1985 — D 8523 B

Lebanon: UN finds persuasion a futile weapon, Page 5

World news

Socialist union criticises Paris

France's normally pro-Socialist CFDT union confederation criticised the employment policies of the Paris Government.

In the UK the Labour Trades Union Congress is to consider proposals today which would make Britain's leading companies negotiate corporate development plans with a future Labour government. Page 18

Bush to Europe

U.S. Vice-President George Bush will visit several West European capitals this month to confer with officials on arms control, security issues and international trade.

Agca blames Soviets

Mehmet Ali Agca, the Turk who tried to kill Pope John Paul four years ago, told a Rome court that the order to kill the pontiff came from the Soviet embassy in the Bulgarian capital, Sofia.

Airliner hijacked

A hijacked Jordanian airliner with about 70 people on board took off from Palermo for an unknown destination after being refuelled.

NYSE strike off

New York Stock Exchange clerical workers and pages called off a strike minutes before it was due to start after reaching a tentative agreement on a new contract.

Iraqi attack

Iraqi war jets killed 41 people and wounded 51 in attacks on the Kurdish town of Sardasht in north-western Iran, Teheran said.

Sri Lanka blast

Separatist Tamil guerrillas blew up a hotel in Sri Lanka's Eastern Province after security forces arrested about 50 guerrillas.

Politician steps down

Leading West German opposition politician Walter Kolbow stepped down as vice-chairman of the Bonn parliament's defence committee, following allegations that he passed state secrets to the press.

Mengele 'dead'

Josef Mengele's son Rolf said his father, the most wanted Nazi war criminal still unaccounted for, died near Sao Paulo, Brazil, six years ago. Page 2

Police blamed

An official inquiry into the killing of 20 black marchers by South African police in March blamed the police for failing to carry proper riot control equipment such as teargas and rubber bullets. Page 5

E. German flees

An East German mechanic climbed over border fortifications in the Harz mountains and reached West Germany unharmed. He was the second East German in 24 hours to flee to Lower Saxony.

U.S. in spy swap

The U.S. handed over four convicted spies in return for 23 prisoners from East German and Polish jails.

Captain charged

The captain of a West German coaster involved in an incident which damaged a British car ferry off the Dutch coast last week has been charged with drunkeness and gross negligence.

Workers' paradise

Three-quarters of Saudi Arabia's government employees arrive late for work and one sixth of them do not work at all, according to an official survey.

Business summary

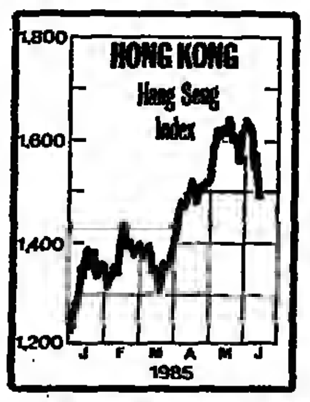
Fears on banks hit HK stocks

HONG KONG stocks fell sharply on renewed concern over the rescued Overseas Trust Bank and rumours that at least two medium-sized banks may also be in trouble. The Hang Seng index shed 79.74 to 1,492.13. Depositors reassured, Page 21, Government injection for Mass Transit Railway, Page 21, Stock market report, Page 42

TOKYO stocks were boosted by a revival of buying interest towards the close. The Nikkei-Dow market average surged 75.50 to 12,758.93. Page 42

LONDON issues moved ahead despite a continuing dearth of activity. The FT Ordinary share index added 7.1 to 998.4. Page 42

WALL STREET: The Dow Jones industrial average at 2pm was 4.37 lower at 1,314.07. Page 42



DOLLAR eased in London, closing at DM 3.088 (DM 3.102), SwFr 2.598 (SwFr 2.612), FFr 9.4125 (FFr 9.4525) and Y249.85 (Y250.45). On Bank of England figures, the dollar's exchange rate index fell from 146.3 to 145.7. Page 35

STERLING gained 55 points against the dollar in London to close at $1.263. It was also firmer at Y315.5 (Y315.0), was unchanged at DM 3.9 and eased slightly to FFr 11.87 (FFr 11.885) and SwFr 3.2825 (SwFr 3.285). The pound's exchange rate index was 79.3 against 79.2 previously. Page 35

GOLD rose $3 an ounce on the London bullion market to finish at $315.25. It was also higher in Zurich at $315.25. Page 34. Gold prices are poised to rise, according to the senior deputy governor of the South African Reserve Bank. Page 2

DAVID MURDOCK, Los Angeles financier, has sold his 20 per cent stake in Continental Group to Peter Kiewit Sons Inc, his partner in last year's $2.7bn buyout of the packaging and insurance conglomerate.

COLOMBIA agreed final terms on the $1bn credit it is seeking from its commercial bank creditors to cover its external financing needs this year and next.

LIBERTY LIFE Association, a leading South African life assurance company, launched a £173m ($218m) takeover bid for Capital & Counties, British property group. Liberty said the bid had been triggered by the technicalities of Britain's takeover code and it did not necessarily want to take control of the company. Page 18

SPERRY and Burroughs, the U.S. semiconductor groups, announced lay-offs and cutbacks. Sperry is cutting back at two Minnesota plants with the loss of 285 jobs while Burroughs is closing a manufacturing facility at Coral Springs and an engineering unit at Orlando with the loss of 750 jobs. Storage Technology sees loss, Page 18

NICARAGUA said it had secured aid worth $402m from East and West Europe after visits by the country's president and vice-president. Page 6

AMERICAN Express, the financial services group, accepted a $850m cash offer from American Television and Communications, the Time Inc unit, and Telecommunications Inc for its Warner-Amex loss making cable-television joint venture with Warner Communications. Page 19

Gorbachev urges wide-ranging economic reforms

BY PATRICK COCKBURN IN MOSCOW

MR MIKHAIL GORBACHEV, the Soviet leader, yesterday called for sweeping economic reforms in the Soviet Union which would aim for more efficient state control and greater emphasis on incentives to produce high-quality goods.

Blaming the Brezhnev era for economic stagnation, Mr Gorbachev, said the Politburo had severely critised the draft economic plan for 1986–90 and wanted it redrawn to focus on renovating and retooling factories rather than building new ones, improving product quality and making the centralised system more responsive to demand.

Mr Gorbachev went on to make an unusual public attack on four government ministers, thought to include those responsible for iron and steel and petrochemical industries who he said had failed to act in the spirit of economic reform. His criticism is considered to reflect his intention to assert central control over government ministries and the middle level bureacracy which are often seen as the centres of opposition to economic reform.

Mr Gorbachev is looking for an annual growth rate of 4 per cent in Soviet national income. The emphasis will be laid on increasing investment, particularly in refurbishing and modernising existing enterprises. Investment in this area should be increased from one third of total capital investment to one half he said.

The general direction of reform is likely to emphasise the control of investment funds by the party secretariat in Moscow combined with greater autonomy of individual enterprises.

Mr Gorbachev said the Kremlin would no longer tolerate officials who seek reduced production goals or the old policy of simply building new plants when the older ones become obsolete.

Stressing the obsolescence of much of Soviet plant, Mr Gorbachev said "we produce more steel than any other country yet we are chronicially short of metal. The main reasons for this are poor quality, qualimitated range of products and, of course, squandering of metales."

He added, "one cannot help seeing that since the early 1970s certain difficulties began to be felt in economyc development. The main reason is that we did not display in time perserverance in reshaping the structural policy, the forms and methods of management, the very psychology of economic activity."

Although he endorsed the planned economy, Mr Gorbachev also said the state planning authority should be more of a scientific think tank than a system for setting specific economic goals.

"He said that Soviet industry was plagued by e lack of quality in its output that made it hard to compete on the world market and cost the nation not only roubles but also important foreign exchange.

"All this inflicts serious social, economic, moral and political damage ... even products referred to as the highest category sometimes pale in comparison with the best world models."

Mr Gorbachev endorsed the late Yuri Andropov's plans for increased independence of industry and said they should be expanded, "to make vigorous use of more flexible forms and methodes of management, cost accounting and commodity monetary relations.

Argentina and IMF agree on economic plan

BY PETER MONTAGNON IN LONDON AND JIMMY BURNS IN BUENOS AIRES

THE International Monetary Fund yesterday confirmed officially that it had reached agreement with Argentina on a new economic programme designed to back up a resumption of drawings on a $1.4bn loan facility arranged last year.

The confirmation, which ended several days of speculation about the state of relations between the two sides, came minutes after the government of President Raul Alfonsin announced a steep 15.27 per cent devaluation of the peso against the dollar.

Senior bankers said the devaluation was e gesture of good faith by Argentina and a positive indication that it intended to stick by the terms of its newly agreed IMF programme. Further austerity measures aimed at reducing the budget deficit, cutting Argentina's 1,000 per cent inflation rate and reducing its payments deficit are expected over the next few days.

But they added that the IMF deal alone still provides no assurance that Argentina will escape seeing its $48bn foreign debt officially downgraded by the U.S. authorities this week. A committee of U.S. officials responsible for supervising the banking industry will be meeting until Friday in Washington to examine Argentina's case.

Argentina still has to make some interest payments to avoid the downgrading with could seriouly hinder efforts to complete a major debt rescue package which commercial bank creditors. For that it now urgently needs to conclude the $450m bridging loan it has requested from the U.S. and other governments, they said.

By yesterday afternoon there were still no official details in Buenos Aires on the terms of the IMF agreement, but according to reports widely carried by the local media, Argentina has agreed to cut its inflation to around 600 per cent by next May. The public sector deficit, which ran at 10 per cent of gross domestic product in the first quarter, is to be cut back to 5 per cent.

A more orthodox economic programme was publicly endorsed for the first time last month by Sr Alfonsin when he announced that the Government intended to increase savings originally forecast for 1985 by an additional 12 per cent in real terms.

He said subsidies to state companies would be cut, employment in the civil service trimmed and fiscal revenue would be increased by shortening the payment period for value added tax and the implementation of a new "forced savings tax."

Continued on Page 18

Moscow says U.S. 'bent on destroying arms pact'

By Our Foreign Staff

THE TEMPER of Soviet-American exchanges on arms control deteriorated further yesterday with a scathing accusation from Moscow that President Ronald Reagan was bent on destroying existing agreements, beginning with the Salt 2 strategic arms limitation treaty.

Reacting to Mr Reagan's qualified commitment on Monday not to undercut Salt 2, Mr Vladimir Lomeiko, the Soviet Foreign Ministry spokesman, accused the U.S. of "feverishly considering options about how to get around the limits contained in the treaty. In the process of this, the option of the U.S. cootinuing to respect Salt 2 was rejected out of hand," he said in o prepared statement issued yesterday.

"What the President has said clearly confirms that the U.S. Administration took a decision ... about the destruction of the system of agreements which control nuclear weapons starting with the breaking of the Soviet-American Salt 2 treaty," the statement said. This broadside will fuel current pessimism about the prospects for progress in the current Soviet-American arms control negotiations now underway in Geneva.

On Monday, Mr Reagan had called on the Soviet Union to show "comparable restraint" in respecting the treaty and warned that the U.S. would make "appropriate and proportionate" responses to Soviet violations of Salt 2 to make sure that Moscow was penalised for its actions.

According to yesterday's Soviet statement, Washington's accusations of Soviet treaty violations were intended to obscure the U.S.'s own breaches of agreements.

Referring to President Reagan's assertion that the Soviet Union is breaking the Salt 2 treaty by developing a land-based intercontinental ballistic missile, the SS25X, Mr Lomeiko denied that the missile was a new system, claiming that it is "the old SS13 which is being modernised fully in compliance with Salt 2."

The U.S., he said, was using the SS25X as a pretext for building new missile systems of its own, including the Midgetman, which he claimed, violated Salt 2.

Mr Reagan had claimed that the U.S. would be staying inside the treaty by dismantling Poseidon submarines later in the year when the seventh 24 missile Trident submarine starts its sea trials.

Soviet reaction, Page 3; Washington's last warning on Salt violations, Page 7

Emission standards row 'threatens EEC market'

BY JOHN GRIFFITHS IN LONDON

A RENEWED confrontation among EEC member states over car pollution standards appears certain when Environment ministers meet on June 24. The British Minister, Mr William Waldegrave, warned yesterday of a potentially "catastrophic" outcome, which could lead to the break-up of the EEC internal market in cars, unless proposed standards announced by the EEC Commission last week are modified substantially.

The Commission's proposed standards are in breach of the compromise reached by the Environment ministers after 17 hours of negotiations in March, rule out the possibility of Europe's motor industry developing suitable "lean-burn" engine alternative to exhaust catalysts and are of such severity that even Britain's Jaguar, which has no problem meeting U.S. emission standards, would face serious difficulties, Mr Waldegrave said.

The standards proposed by the Commission, setting out maximum permissible levels of nitrogen oxides, hydrocarbon and carbon monoxide emissions, have already run into a barrage of criticism from the motor industries of Britain, France and Italy. A series of meetings between these countries' industries and their respective governments to formulate what is certain to be a hostile response to the proposals are taking place in preparation for the Brussels meeting.

The UK Government is in touch with the presidency of the Commission over what it is describing as an "unhelpful" intervention by the Commission, whose proposals it sees as the result of intensive behind-the-scenes pressure being applied by West German Commissioners.

Bonn, under severe pressure from the environmentalist lobby, has been seeking stricter standards than other member states. The Commission's proposed standards were presented as seeking a middle path between the environmentalists and motor industry concern that the standards should be set at a level which would allow the development of "lean-burn" engine technology. They state that nitrogen oxide emissions, which are most damaging to the environment, should be restricted to 3.5 grammes per test for cars of over 2 litres, 4 grammes for cars of 1.4-2 litres and 6 grammes for cars of up to 1.4 litres. The West Germans wanted a maximum of 2.5 grammes for medium and large cars.

However, while there is little disagreement on the smallest cars, the UK, French and Italian industries want levels of up to 8 grammes for medium cars and 5 grammes for large cars.

While the differences might sound small, Mr Waldegrave said, the Commission proposal would mean that Jaguar, for one, with a need to re-engineer its cars to meet the standard for large cars. Relatively cheap "lean-burn" engines, fitted with simple oxidation catalysts, would be placed beyond manufacturers' ability to develop.

A spokesman for Jaguar last night confirmed that re-engineering of its cars would be required to meet the standards as proposed. A spokesman for Mercedes of West

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Farm ministers face deadline on cereals

BY IVO DAWNAY IN LUXEMBOURG

EEC Farm Ministers will be called at midday today to declare their final positions on cereals price cuts in a vote.

After nearly four months of talks, bogged down by a West German refusal to sanction price reductions, it still remains unclear whether Herr Ignaz Kiechle, the West German Minister, will allow a vote to go ahead. Sig Filippo Pandolfi, the Italian Minister presiding over the Council, has long attempted to reach a decision by negotiation.

Although the margin between the West German position and the proposal from the European Commission is extremely narrow, no progress was made last night in bridging the difference. There was also some speculation that Bonn may now be able to accept a vote without using its veto through changes in the positions of several other member states.

The attempt by the Italian presidency to create a majority of nine to one against Herr Kiechle appeared not as successful as first thought. Speculation was mounting yesterday that Ireland and Greece and possibly Belgium and Luxembourg might join Germany in rejecting the Commission proposal for a 1.8 per cent cereals price cut.

This would be more than enough to prevent the 63-vote Council from achieving the 45 votes required for an approval by qualified majority. Frantic lobbying was expected to take place overnight in an effort to resolve the situation.

While Germany would prefer to win allies to vote down the price cut, thereby avoiding having to use a veto – a procedure it has long opposed on political grounds – the Italians and the French are anxious

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U.S. and UK markets plan link

BY JOHN MOORE IN LONDON AND PAUL TAYLOR IN NEW YORK

THE LONDON Stock Exchange and the New York Stock Exchange have formed a task force to work together on developing new dealing systems.

In a joint statement yesterday both exchanges said that they would be investigating "joint approaches to advanced securities trading systems, market links and methods to facilitate international settlement of transactions."

They said that as trading of leading securities develops on a 24-hour basis it is necessary for the exchanges to examine areas of "co-operation which will continue to provide an efficient, cost effective market-place."

In Britain, stock exchange officials are worried about the threat of Reuters, the international news gathering and electronic data company, providing an alternative screen-based service outside the exchange could lead to fragmentation of the market. Now the new initiative on both sides of the Atlantic is designed to ensure that control of trading networks remains under the regulatory umbrella of the two exchanges.

Merrill Lynch, one of the largest U.S. securities groups, is in talks aimed at taking an initial 29.9 per cent stake in A.R. Giles & Cresswell, one of six market makers in British government securities on the London Stock Exchange. Page 18

In Washington, the U.S. Securities and Exchange Commission (SEC) said that it had no official comment on the proposed New York-London stock exchange link. However, the SEC is likely to take a keen interest in the proposals.

The commission has already expressed its concern that the growing internationalisation of the securities markets could undermine its ability to regulate trading. Earlier this year the SEC published a discussion paper on the subject, seeking public comments by the end of this month.

It is understood that the New York Stock Exchange has shown considerable interest in the London exchange's screen-based price display system – the Topic service. The London Stock Exchange is also keen to develop an effective price dessemination service which will allow prices to be disclosed in the restructured market.

At present the London exchange is attempting to develop an interim internal network based on the Topic system called Stock Exchange Automated Quotations (SEAQ).

CONTENTS

Mengele's son says exhumed body is that of his father

BY RUPERT CORNWELL IN BONN

THE BODY exhumed by Brazilian investigators from a grave near Sao Paulo last week is "without doubt" that of Dr Josef Mengele, hitherto the most wanted Nazi war criminal still at large, his son Rolf declared yesterday.

The statement by the son, in which he confirmed having visited Sao Paulo after Mengele's alleged death in a swimming accident on February 7 1979 would seem to banish most remaining doubts that his father is dead.

Herr Rolf Mengele, a lawyer in Freiburg, said he had visited Brazil after the event to check the circumstances in full. "I am sure that forensic examination of the remains will soon confirm that they are of my father Josef Mengele."

The Mengele family, which runs an agricultural machinery business at Guenburg in Bavaria, was ready to make further "relevant evidence" available, the statement added.

Whether pathologists who yesterday started their detailed examination of the corpse will alone be able to settle the issue conclusively remains to be seen. Their findings should be ready in 10 days or so, it was reported from Brazil, but Sr Rubens Brasil Maluf, head of the institute carrying out the autopsy, said it would be "very fortunate" if identity could be proved beyond doubt.

However, the scant details contained in the family statement do fit in with what has emerged from witnesses in Brazil.

At the same time, even those initially sceptical of the discovery, such as Herr Simon Wiesenthal, the Nazi-hunter, have been coming around to the view that the remains are those of their longstanding quorry.

Menegle was doctor at the Auschwitz extermination camp in Upper Silesia, Poland, between 1943 and 1945, where he is accused of sending 400,000 people to their deaths in the gas chambers, and of conducting gruesome medical experiments.

Italian business rejoices at wage indexation vote

BY ALAN FRIEDMAN IN MILAN

ITALY'S leading bankers and industrialists yesterday welcomed the result of the referendum of wage indexation, in which 54.3 per cent of the electorate voted to defeat the Communist-sponsored proposal to restore cuts to the *scala mobile* system.

Meanwhile, in Milan, the stock market surged in some of the heaviest trading activity in years. Several shares went to all-time highs, and brokers reported a steady flow of orders from foreign and institutional investors.

In Turin, Dr Cesare Romiti, managing director of the Fiat group, said the referendum result "once again demonstrated that the Italian people have more common sense than some political parties credit them with."

Sweden's foreign arms sales soar 24%

By David Brown in Stockholm

THE GOVERNMENT in Stockholm released figures yesterday showing a significant increase in foreign arms sales during 1984, amid growing domestic controversy over Sweden's weapons export policy.

The report coincides with several investigations into charges of illegal armaments dealing by Bofors, the defence concern which is Sweden's largest weapons exporter.

The value of authorised foreign weapons sales climbed 24.5 per cent in real terms, according to the Trade Ministry in Stockholm, corresponding to just under 1 per cent of total exports.

The largest customers were in Italy, Nigeria and Singapore. Divided by region, Europe accounted for half the total SKr 2.1bn ($222.7m) deliveries followed by Asia with 19 per cent and Africa with 15 per cent.

Meanwhile, the Government is under pressure to tighten further regulations governing such sales. Weapons shipments to areas of military tension are prohibited at present.

Bofors, now part of Nobel Industries of Sweden, following its SKr 3bn takeover of the Kema-Nobel chemicals group last year, has been under investigation for alleged violations of this law.

Mr Claes-Ulrik Winberg, chairman of the Swedish employers' federation, temporarily stepped down from his post last weekend in the face of the customs authority inquiry into the alleged violations, which took place while he was managing director of Bofors.

Tom Burns and **Diana Smith** report on the eve of the EEC treaty signing

Spain prepares to come in out of the cold

SIX SPANISH television outside broadcast units will cover today's ceremony marking Spain's signature of the European Community treaty of accession in the splendour of Madrid's royal palace.

As one newspaper remarked, with ill-concealed glee, there will be more television cameras than there were when General Franco lay in state in the same building nearly 10 years ago.

There will be prime ministers and European officials galore at the massive palace that the Bourbon dynasty had built for itself in the 18th century. The only foreign dignatory that sticks in the mind as a prominent guest at the generalissimo's funeral was Chile's Gen Agusto Pinochet.

The blanket coverage and European welcoming party marks Spain's coming out of the cold. Commentators, foreign and Spanish alike, have dwelt ceaselessly on the psychological impact of the country's entry into Europe. The Pyrenees—and Spaniards have long endured the jibe that Africa begins at the Pyrenees—have been levelled to the ground with EEC enlargement.

Absent from the jamboree will be the Spanish military's top brass. The chiefs of staff are usually an inbuilt feature of every state occasion and the Madrid daily Diario 16 picked up the omission yesterday and headlined: "The military excluded from the solemn events."

Instead there will be guests who are not normally associated with such events. Among the seelct crowd will be golfer Seve Ballesteros, tenor Jose Carreras, former Wimbledon champion Manuel Santana and the poet Rafael Alberti.

The fact that the military will not be present, and that tha cultural and sporting idols will be, simply stresses the process of normality that membership of the EEC has come to mean for Spain. There are also other, barely perceptible, signals in the invitation list.

Absent, too, from the solemnities will be the chief ministers of Spain's 17 autonomous communities. Some are hardly known outside their immediate vicinity while others, notably the Basque *Lendakari* and the president of the Catalan *Generalitat* are figures of considerable national prominence.

All the chief ministers, at any rate, regularly turn up for the top state events be it the garden party to mark King Juan Carlos's patronymic or the annual military parade that celebrates the end of "Armed Forces Week."

A harrassed government official, entrusted with explaining the details of today's ceremonies, said that this ommission was something of an oversight and that there had been "insufficient time" to send nut all the appropriae invitations. One prominent Catalan politician rightly thought that an empty excuse, and, giving vent to the whole touchy issue of regionalism in Spain, charged yesterday that Madrid was yet again raising its centralist head.

It has not escaped notice that, with Spain as part of a greater European whole, the 17 autonomous regions that came into being with the post-Franco democratic transition will themselves be striding a smaller stage. Some government officials feel that this is in the right and natural order of things, as quasi-federalism in Spain had gona far enough.

Sr Felipe Gonzalez, the Prime Minister, yesterday chaired a Cabinet meeting that formally approved the treoty of accession. It consists of 66,000 sheets of foolscap but the document has a shortened version of some thousand odd pages which is what the Cabinet actually examined.

The document, in its complete and condensed version, has had translators, typists and proofreaders working up to the last moment. The parliamentary spokesman for Spain's Conservative opposition, Sr Miguel Herero de Minon, pointed out with some acerbity yesterday that the Cabinet was approving what it had not read and much less digested.

Sr Gonzalez takes an early flight today to Lisbon where he will meet Sr Mario Soares, his fellow Premiere in o no less grand ceremony held at the Mosteiro dos Jeronimos. Also there will be the Prime Ministers of Belgium, Denmark, France, Greece, the Netherlands, and Italy. Luxembourg's deputy premier and the foreign ministers of Britain and West Germany.

All of them, together with the EEC Commission, travel after lunch to tha Spanish capital to continue the enlargement process by making the Lisbon eleven into the Madrid twelve.

Soares leads in an eager but apprehensive Portugal

REGARDLESS of the pall cast over today's ceremonies by the impending withdrawal from the Portuguese coalition of the minority Social Democrats, Sr Mario Soares will be a prond man as he signs Portugal's accession treaty to the European Community.

Amid the turbulence of Communist-inspired revolution in 1975, he was a lone voice crying "Europe is with us," urging moderate Portuguese to stay calm and hang on to the vision of o democratic European future.

When politics cooled down, he was the pioneer who trekked from one EEC capital to the other in 1977, pleading for support for his conntry's wish to democratic European nmbrella not only shelter under the but contribute as best it could as working partner in an enlarged Community.

Today, his hopes and the hopes of his compatriots who for eight years backed arduous efforts by successive governments to negotiate a small, poor but willing country's way into the powerful European club are closer to realisation.

Politics were not the only instinct that drove Portugal to seek a different future

Its people want change. They want—and need—more keenly-perceptible challenges than they would face outside Europe. They are eager for economic prestige and more efficient, competitive agriculture and industry. They want their public services, transport and ports, their job training schemes and social services to be modern.

In sbort, they want to slough nff a sense of living in a backwater.

Perhaps too-optimistically, the Portuguese expect accession to bring radical modernisation of agricultural structures, production and marketing that pre- and post-1974 governments could not implement, or feared to do so, for financial or political reasons. They sense that EEC membership will unblock energies on the part of many farmers, spurred by the Ecu 700m (£413m) the Commnnity will grant over ten years to help modernise Western Europe's most inefficient agriculture.

Local governments, small businessmen and tourism companies, after initial diffidence, have begun preparing projects that can tap the EEC's regional development funds-

More dynamic Portuguese industries, which have recently caught the pre-European mood and hegun to modernise equipment and marketing, are eager for more access to European markets—particularly footwear and textile manufacturers.

Thanks to mulish resistance up to the last minute when EEC negotiators tried to sweep the problem out of the waters of the Ten, Portugal's rich fishing waters are protected from exceptional inroads by the powerful Spanish fleet.

Those who may be most hurt by accession are local manufacturers who have stumbled on for generations producing on a small scale for a small domestic market. Spanish monufacturers are already spotting sales or investment outlets here and small industrialists are worried.

Above oll, Portugal's inability in the 1960s to modernise production, transport networks, telecommunications aod administration leave it al a strong disadvantage compared not only to the Ten, but also to Spain. Speciol Community aid will help—but not unless the Portuguese scrap inefficient approaches and adopt new ones.

South Africa suggests new role for 'stabilised' gold

BY WILLIAM DULLFORCE IN LUGANO

ASSURANCES all round that the price of gold has finally stabilised and a South African suggestion that a new role for the metal be found in the international monetary system were two highlights on the first day of the Financial Times World Gold Conference yesterday.

An analysis of demand and supply flows led Mr Chris Stals, senior deputy governor of the South African Reserve Bank, to the conclusion that the market was now poised for an imminent rise in the gold price.

Mr Timothy Green, a consultant to Consolidated Goldfields believed that at around $300 an ounce a realistic floor to the gold market had been reached. This compares with a peak of $850 recorded in London on January 21 1980.

Mr Stals argued that the present low dollar price was not a true reflection of the world price for gold. Measured in terms of most European currencies, the price had remained remarkably stable over the past two years.

In the next few years new production, net sales by the socialist countries and sales from central banks would supply the market with roughly 1,400 tonnes a year. This amount would be supplemented by a more unpredictabla amount from recycling of existing gold which would be offered on the market in increasing amounts as the price moved up.

Demand for gold for fabrication now absorbed all the regular supply so that all volatile investment demand would play a major role in determining the price, Mr Stals said.

In Mr Green's view gold had reached a price level at which most if not all of the supplies coming to the market could be taken up quite easily.

A major factor of 1984 has been the robust performance of the jewellery industry whose offtake of gold at 818 tonnes had hit the highest level since 1978. In the eight months "after gold fell below $350 last summer, five markets alone – Italy, Dubai, Singapore, Hong Kong, and Tokyo – took up 611 tonnes – an annual rate equivalent to 87 per cent of all Western mine production, Mr Green said.

FINANCIAL TIMES
World Gold in 1985
CONFERENCE

In Dubai, the jumping-off point for the trade with India, he had witnessed earlier this year scenes not found since the early 1970s. Dubai had imported 17 tonnes of gold in January and 14 tonnes in February. For many people in South-East Asia gold was "cheap" again.

Mr Victor Lam, bullion division director of Shearson Lehman-American Express Asia, confirmed that the current absorbtion rate of the Asian market was "almost staggering." The first quarter of 1985 had shown even larger activity than in 1984. Both he and Mr Green emphasised the good track record of Asians in reading price trends.

Japan was today experiencing the third "gold rush" in its history, according to Mr Takashi Tanaka, managing director of Tanaka Kikinzoku.

In the seven years since it had liberalised imports and exports of gold, Japan was well on the way to becoming the world's biggest gold market, he claimed.

The metal had entered into the everyday life of the Japanese, Mr Tanaka explained.

Last year Jopanese gold demand totalled 305 tonnes, the highest level in its history and of this amount 192 tonnes were imported. The brisk activity of electronic companies was an important factor in this development; industrial use of gold in Japan has been growing at an annual rate of between 20 per cent and 40 per cent, Mr Tanaka said.

Analysing gold shares, Mr Julian Baring, of James Cabel was also bullish. He thought the low of the gold price had been seen and that investors would gradually regard the metal not so much as a roller coaster to jump on and off, but more as an anchor for a well diversified portfolio.

Mr Stals did not win ready acceptance for his proposal that gold should again be used as a means of international settlement. It was wrong for it to lie frozen in the vaults of central banks, where it made up more than 40 per ceot of the official foreign reserves of the member countries of the International Monetary Fund, he said.

For Mr Robert Guy director of NM Rothschild, who chaired the first day of the conference, promoting the role of gold as a reserve asset would be an admission of failure in the task of developing an international monetary system.

Mr Guy also prompted Mr Alan Brody, president of the Commodity Exchange (Comex) in New York, to explain the new safeguards being discussed between the United States Federal Authorities and Comex after the default in March of a Comex clearing company.

Mr Brody described how Comex had become the world's largest market for gold futures trading over the past ten years, a development which has not always been looked kindly by established gold trading centres, such as London, Zurich and Hong Kong.

The options on gold contracts, recently introduced by Comex now accounted for nearly 25 per cent of its total gold trading volume Mr Brody said.

An agreement between Comex and the Sydney Futures exchange to begin linked trading in gold futures contracts would come into effect in the near future and would effectively double the number of hours in which traders would have access to the Comex contract, Mr Brody said.

Mr Sydney Gold, manager of the options department of Philipp Brothers Inc described how gold options worked while Mr Brian Marber senior partner of Brian Marber and Co., explained the value of charts and technical analysis in the gold business.

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EUROPEAN NEWS

David Marsh on how Lyons backs its fledgling entrepreneurs

A city in the business of start-ups

IN A semi-rural setting a few miles from the centre of Lyons in France, the city's business school is organising an exhibition for 10 newly-established small businesses to show off their wares in areas ranging from video text and biotechnology to fast food. The display by the 10 fledgling entrepreneurs (average age 31) is still in full swing in the evening after 500 visitors during the day.

The average FFr 400,000 (£33,641) capital backing for each company, mainly put up by friends and relatives, is proof that "there is money around in Lyons," according to M Philippe Albert, director of marketing development at the Lyons Ecole Superieure de Commerce.

The school, which has been providing a 17-week course for the company founders, plans to continue the scheme by sponsoring two sets of start-ups a year in association with established local concerns.

The start-up project is just one sign of the vitality of France's second city in tackling a challenge which is now one of the country's major economic preoccupations: boosting small businesses particularly by encouraging commercial links between universities, industry and financial institutions.

Lyons, capital of the prosperous Rhone-Alpes region which has been less affected by the recession than other parts of France, is none the less suffering from a run-down of employment in traditional areas.

Unemployment in Lyons is 7 per cent, about the same as in Paris, compared with a national average of nearly 10 per cent. The Lyons city authorities, who are making a special effort to develop the town's standing as an international business centre, are banking on high technology as the key to building a new industrial fabric.

"It is easier to promote research links with business in Lyons: the frontiers are smaller," says M Francois Juillet, scientific director at Société Lyonnaise de Banque, the regional bank.

Pushing Lyons ahead: Jean Carriere and Jean Chemain.

M Juillet has been recruited from the civil service after spending 13 years as the head of the Government's Rhone-Alpes research and development office. His job is to boost links between the separate worlds of money and science: an area where the Lyons approach, in keeping with the region's comfortably bourgeois traditions, is still a lot more conservative than in the U.S.

M Alain Merieux, head of the medical group Institut Merieux, is not the only one to chide financial institutions for excessive prudence. M Merieux, is also chairman of a new regional venture capital group Sudinnova, which has made 12 investments in small businesses for a total FFr 3.5m. He says the fund's criteria may have been too strict: "In the long run we need to take more risks."

The Société Lyonnaise de Banque, part of the Credit Industrial et Commercial group which was nationalised in 1982, is making a big effort to step up its investments in small companies as an investment for the future both for the region and itself.

"Banks have to increase their investment banking activities. If we just stick to traditional commercial banking, we will be dead in 15 years," says M Jean Carriere, SLB chairman.

M Carriere has been in the forefront of efforts to attract U.S. investors to companies from the region quoted on the Lyons and Paris stock markets. He plans financing packages with U.S. banks to assist American companies to set up in the area, following in the footsteps of concerns such as Hewlett Packard, Monsanto and Schering-Plough.

One company still disappointed with the attitude of bankers is Metravib, a group with FFr 90m turnover set up in 1968, which has a range of activities in monitoring and detecting vibrations.

M Lionel Gaudriot, Metravib's scientific director, says the company has tried without success to attract more capital from banks and is turning its attention to finding industrial partners.

Elsewhere, however, there is no mistaking the change in entrepreneurial attitudes sweeping through Lyons. "It is a revolution," says M Jean Chemain, head of the Lyons development organisation, Aderly, speaking of the business-minded approach of university graduates. "Young people have ideas and a way of thinking which bear no comparison to those of the spoilt children of the 1960s."

Previously, researchers refused commercial links, fearing they would "compromise themselves," says Professor Christian Collombel, who chairs an organisation promoting business start-ups in the biotechnology and medical fields, and who is playing a key role in setting up Lyons' new Gerland science park. "Now there has been an irreversible change."

One flourishing spin-off from Lyons research is Saduc. This FFr 10m turnover company manufactures cosmetic and medical products from collagen, a substance derived from animal skins under technology developed at the local technical centre for the leather industry. M Michel Dubois, the director, has built the company slowly to become an important supplier to the L'Oreal cosmetic group. He is slightly bashful in admitting that net profits are 18 per cent of turnover.

M Paul May, a former teacher at the National Applied Sciences Institute (INSA), set up his own company CN-Industrie in 1977, specialising in software for computer-aided design and manufacturing and automated production systems. A new set of shareholders, including the Paribas investment bank, is about to inject fresh capital into the company. M May has his eye on boosting turnover to FFr 100m by 1989 (from FFr 17m last year) and hopes for a share listing.

M May, who is the managing board chairman of the Sudinnova venture capital group and is active in "godfathering" other small businesses, says: "Seven or eight years ago, if you set up your own company, you were just another dirty *patron*. Now, the creation of one more capitalist is seen as boosting jobs. If you've got a good project, there's no trouble finding the money to back it."

Yugoslavs to discuss debts with banks

By Aleksandar Lebl in Bled

YUGOSLAV AND Western bank negotiators are to make a further attempt, in New York next month, to agree on terms for rescheduling Yugoslavia's $3bn commercial bank debt falling due between 1985 and 1988, having failed to significantly narrow their differences in talks at the Yugoslav resort town of Bled.

The continued impasse over bank debt rescheduling stems chiefly from Yugoslav insistence on paying less than the 1.25 per cent over the London Inter Bank Offered Rate (Libor) demanded by the commercial banks on 1985-88 rescheduled debt, and on Yugoslavia's request to renegotiate lower interest rates on 1983 and 1984 debt maturities already rescheduled.

Investment

Until final agreement is reached, the Yugoslavs have been warned that they cannot expect any fresh finance from the commercial banks.

Following their Bled talks, Mr Fulvio Dobrich, a senior vice-president of Manufacturers Hanover who chairs the commercial banks' creditors' committee, and Mr Cvitan Dujmovic, the chief Yugoslav negotiator, are to see if they can make enough progress in New York in early July to warrant calling a full meeting of the several hundred banks owed money by Yugoslavia.

Two such plenary meetings have already been held in recent months, and both sides meliev thata third inconclubelieve that a third inconclusive meeting could have very negative results.

The Bled talks took place in the context of the regular annual session of the U.S.-Yugoslav Economic Council, at which the Yugoslavs were also warned they could lose U.S. preferential tariff treatment unless they changed legislation concerning pharmaceuticals.

Soviet Union sees economic threat in Stars Wars

Moscow opts for caution in arms race with U.S.

BY PATRICK COCKBURN IN MOSCOW

IN RECENT months Soviet leaders have increasingly emphasised that a central aim of U.S. defence policy is to derail the Soviet Union's economy by forcing Moscow to raise its military spending above the level it can afford.

President Ronald Reagan's Strategic Defence Initiative (SDI) has "an insidious aim, an attempt to foist excessive military epnding on the Soviet Union and the Socialist community in order to exhaust them through the arms race," said a senior official of the Communist Party Central Committee last month.

The threat is real enough. Defence spending already makes up some 12 per cent of the Soviet gross national product. Western studies say the military spending on the Soviet cent of all new machinery but Russian spending on arms has risen very slowly since 1976.

"There have been two distinct periods in Soviet defence spending since 1965," says a study issued late last year by the U.S. Central Intelligence Agency. "Before 1976, growth in total defence spending averaged about 4-5 per cent per year; after 1976, the rate of increase in spending dropped appreciably, to about 2 per cent a year," the CIA concluded.

Progress

Despite the increase in U.S. defence budgets under President Reagan, the CIA says that the Soviet Union has not followed Washington in upping its spending on arms. The military budgets devised at the height of detente have not been changed.

A change now would have a serious impact on the plans of Mr Mikhail Gorbachev, the Russian leader, to reform and expand the economy. Both he and the Soviet central planners in Gosplan are looking for high rates of growth in the next five-year plan (1986-90) of over 4 per cent a year. The rate of investment is also to be raised.

A significant increase in the Soviet defence budget of around 5 per cent would scupper such plans. Unlike the U.S., Moscow cannot fund its military spending through domestic or foreign savings but must switch resources directly from the civilian to the military side of the economy.

Agriculture and energy already absorb some 55 per cent of Soviet capital investment; increased weapons procurement would also prevent any increase in the Soviet standard

> The Soviet leaders claim they will not be forced into 'backbreaking expenditure' by President Ronald Reagan's Strategic Defence Initiative—to do so would upset their plans to expand and reform the non-military side of the Soviet Union's economy. Anyway, for the moment, Russian scientists say that the Star Wars system can be countered easily enough

of living which Mr Gorbachev wants to maintain.

For the moment, senior Soviet scientists say that Star Wars can be countered easily enough. Dr Yevgeny Velikhov, a senior Soviet scientist and an expert on Star Wars, recently said that the feasibility of producing an anti-ballistic missile system was no greater now than it had been in 1972 when the ABM treaty was signed.

Dr Velikhov said that SDI unrealistic to suppose that "in a very short period of time—in something like two minutes—this system must destroy several thousand missiles, launched both from the continents and submarines at unknown positions in the ocean."

He went on to say that Mr Caspar Weinberger, the U.S. Defence Secretary, had said when President Reagan was first elected in 1980 that the Soviet Union would react to an American military build-up by "reconstructing all our forces, and we would be compelled to incur backbreaking expenditure. This did not happen."

Dr Velikhov said that SDI would be no more successful in forcing Moscow to undertake "backbreaking expenditure."

The policy of keeping spending on a tight rein is not likely to be changed by Mr Gorbachev. In a major speech yesterday, his emphasis was on the wholesale reforms of the civilian economy, though he did say that the Soviet Union would not allow the military balance with the U.S. to be changed.

Radicalism

This is hardly very welcome to the Soviet general staff. Marshal Sergei Sokolov, the Defence Minister, has been as denigratory about the feasibility of Star Wars as some civilian scientists and commentators. The former Chief of Staff, Marshal Nikolai Ogarkov, put the emphasis on the need for a new generation of high technology conventional weapons for the Soviet armed forces. This was an area, he said, in which the Soviet Union could not afford to fall behind.

It is not clear whether Marshall Ogarkov's dismissal last year was a direct consequence of such military radicalism, but in any case there is little sign of Moscow refurbishing or replacing its military equipment.

It knows that in any all-out arms race with the U.S., the Soviet Union will lose and sustain serious economic damage into the bargain. The response to greater U.S. spending on conventional and nuclear weapons as well as Star Wars is therefore likely to be cautious and limited.

E. German rights plea by Fabius

By Leslie Colitt in Berlin

THE FRENCH Prime Minister, M Laurent Fabius, has called on East Germany to allow its citizens greater freedom of movement and the right to live where they choose.

Speaking at a banquet in East Berlin given by President Erich Honecker, he said France attached great importance to the observance of the 1975 Helsinki Accords, and in particular to the right of all people to "move freely and reside where they wish."

M Fabius, the highest ranking politician among the Western allies to visit East Berlin, was confronted at the banquet with what Western diplomats saw as an East German violation of Berlin's demilitarised status. General Heinz Hoffmann, East Germany's Defence Minister, appeared in gala uniform, and was seated next to Mme Edith Cresson, the French Trade Minister.

The French Prime Minister and Mme Cresson had talks with Herr Gunter Mittag, East Germany's economic chief, on expanding trade. The French sought to discover East Germany's technology needs at a time when it and other Comecon countries are formulating their five-year plans which begin next January.

M Fabius also dedicated an auditorium in the newly established French cultural centre in East Berlin, the first of any Western country in East Germany.

Interest in learning French has received an impetus among East Berliners by the fact that the cultural centre has a library stocked with books otherwise unavailable in the East.

Employees of East German state institutions have been warned not to use the centre's facilities.

European chemicals investment likely to rise by 10% this year

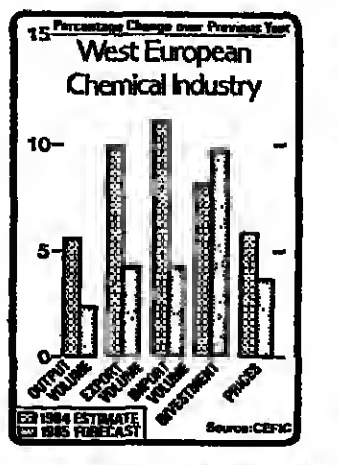
BY CHRISTOPHER PARKES

IMPROVED CONDITIONS in the chemicals industry encouraged Western European manufacturers to step up investment by 8 per cent last year. And they are expected to spend 10 per cent more this year, according to Cefic, the industry's European federation.

Its annual review reports a good start to the year, with better use of capacity, and forecasts a spell of more moderate growth in the second half.

The extra capital spending this year will be committed mainly to rationalisation, energy conservation and developing new products and markets. An increasing amount of investment is going on development of more specialised and highly valued products.

Capital investment increased particularly strongly in the Netherlands last year, where it rose by 36 per cent. Spending in France went up by 27 per cent and in Britain by almost 17 per cent.



The industry has benefited from the better general economic climate. For the second year running chemicals output increased last year by more than 5 per cent, while total manufacturing output grew by only 3 per cent. It also enjoyed a 9 per cent increase in the volume of trade in its products.

European chemical exports increased by 10 per cent and although imports also rose, there was a further increase in the industry's favourable balance of trade.

The federation expects an increase in output volume of around 2.5 per cent this year. Export volume is also expected to go up more modestly—by about 4 per cent—and imports by the same proportion.

The workforce is predicted to remain unchanged for a second year and last year's 5.7 per cent general increase in prices is expected to moderate to about 3.5 per cent in the current year.

The report says the industry benefited from the strength of the dollar last year which helped restrain U.S. exports and opened up new prospects for the Europeans.

Bulgaria plans big spending rise

BY PATRICK BLUM IN VIENNA

BULGARIA IS planning its largest ever investment programme, aimed at giving it a lead role in electronics and other high technology inside Comecon and to be financed partly by borrowing in the West.

According to officials the programme is still being discussed but will be ready for aproval by the next Communist Party congress next April.

Prof Georgi Danov, a senior economist with the Higher Institute for Marxist Economics in Sofia, says it will require investments of up to leva 50bn (roughly the equivalent of $15bn) during the next five-year plan. For comparison this is more than four times the value of the country's annual exports.

Capital investment last year totalled more than leva 8bn of which about three-quarters went to develop industrial production and energy resources. The new programme will effectively channel almost all investment towards developing new technologies and applying them to production.

Prof Danov says it will mean that, in the course of the five years, all foreign currency earned by the country will be invested in the programme. "It means a radical change of investment policy in this country. We will have to mobilise the whole of Bulgaria's industrial potential to realise these investments," he says.

In order to finance the programme without causing serious dislocations in the economy, Bulgaria will seek to raise international credits for specific projects, Prof Danov says. This in itself would represent a significant change of heart for Bulgaria which has stayed away from the capital markets for several years.

The first sign of a change came only a month ago when it asked National Westminster Bank and the Moscow Narodny Bank to raise $100m on the Euromarkets on its behalf.

EdF to start recycling surplus plutonium

BY DAVID MARSH IN PARIS

ELECTRICITÉ de France, the state utility responsible for the world's most intensive nuclear power programme, has decided to recycle plutonium in its network of pressurised water reactors (PWRs) to absorb stocks of the metal which would otherwise build up in coming years.

The EdF decision to embark upon plutonium recycling is a direct consequence of the worldwide nuclear energy slowdown which will delay entry into service of commercial plutonium-burning fast breeder reactors at least until the early years of the next century.

The EdF move will result in plutonium – formed as a by-product of normal reactor operation, and separated from uranium and waste products at reprocessing plants – being added to the uranium fuel to 900 MW N-plants from the end of 1987 onwards.

EdF intends to use a mixture of 4.5 per cent fissile plutonium in fuel assemblies containing depleted uranium which until now has been discarded after uranium enrichment.

The aim of using mixed oxide (Mox) fuel is above all to provide an economic use for the plutonium which EdF will be producing at a rate of about 8 tonnes a year from reprocessing during the 1990s at the La Hague complex near Cherbourg. The complex is run by Cogema, the state nuclear fuel group.

Use of Mox fuel in EdF's thermal reactors amounts to an important change of strategy dictated by the clouds hanging over fast breeder reactors. Superphenix, the world's biggest commercial fast breeder, built by France and other European countries at a cost of FFr 20bn ($2.1bn), is due to go on stream next spring after several years of delays.

Probably no more than one or two commercial European breeders will be built before the end of the century – a consequence of the present glut of uranium as well as of the costs of fast breeders, which EdF characterises as still being in the prototype stage.

Use of Mox fuel has already been carried out in West German reactors for several years and several other European and Japanese utilities are considering such a move in order to use up stocks of plutonium from reprocessing.

Moving to full-scale Mox use will necessitate building up new fuel fabrication plants over the next few years. It could also pose greater nuclear proliferation risks as a result of more extensive movements of the metal in fabrication facilities and power stations.

EdF, which has up to now reprocessed only about 50 to 60 tonnes of PWR fuel at La Hague, plans to step up reprocessing to about 300 tonnes a year in 1988, 400 tonnes in 1989-90 and 800 tonnes thereafter. It intends to use 8 tonnes of Mox fuel – containing about 350 kilograms of plutonium – in 1987, moving to 15 tonnes in 1988, 32 tonnes in 1988-91 and 80 to 90 tonnes after 1995.

South African police blamed in inquiry on Uitenhage deaths

BY ANTHONY ROBINSON IN JOHANNESBURG

ERRORS BY the South African police and its security branch were mainly responsible for the events which led to the fatal shooting of 20 black mourners on March 21 at Langa near Uitenhage on the 25th anniversary of the Sharpeville massacre.

This is the broad conclusion of the Commission of Inquiry set up by President P. W. Botha under Mr Justice Donald Kannemeyer to investigate the incident which sent shock waves around the world and spurred the U.S. campaign for disinvestment in South Africa.

Confusion over the banning of a funeral of previous unrest victims, the lock of proper riot control equipment, and provocative remarks by police towards a large but originally peaceful and unarmed crowd were the main foctors which led to the shooting against the background of months of violence and unrest in the Eastern Cape province.

The report largely exonerates Mr Louis le Grange, the Minister for law and order, whose original report to Parliament on the day of the shooting contained many errors which Mr Kannemeyer put down to "confusion" rather than a conspiracy by police to fabricate evidencme to prove that petrol bombs were a cause of the order to open fire.

But the report is very critical of Captain Andre Goosen, a local security police officer, who misused the Internal Security Act to ban th funeral of the six people in a way whch led to confusion among the crowd of mourners.

Had the bolding of the funeral not unnecessarily been prohibited on douhtful grounds there can be no little doubt that the procession would have passed the (nearby white town of) Uitenhage without incident," the report says. Mr Kannemeyer suggests that police review the procedure under whicb such banning applicotions are made.

The judge also strongly criticises Major Gert Kuhn, station commander at Uitenhage, and his superior officer, Lt.-Col Col Frederick Pretorius, for not supplying the riot squads with standard riot control weapons.

"The fact that no rubber bullets, birdshot or teargas was available is a matter of grave concern. For riot control police to be in a position where, if they are compelled to take action, the death of rioters was all but inevitable is one which should never have been allowed to occur."

Mr Kannemeyer also criticises the actions of police officers in the two oarmoured cars for taunting and provoking the crowd to tbrow stones.

On the crowd, Mr Kannemeyer said there was no evidence of any organisation or arragement to attack white residential areas. "People hod gothered ot random in a show o fsolidarity and had intended to go to the funerals in nearby Kwanobuhle."

Mr Kannemeyer suggested that "provocative action" by the police may have led to the beginning of a chant about killing whites in Uitenhage which police evidence quoted as one of the reasons for opening fire after a single warning shot. But "teargas may well bave been effective in dispersing tha crowd even after it left Maduna Square (the meeting point in Langa) and started to move towards Uitenbage."

The report refutes allegations made at the bearings that police bad tampered with evidence by placing stones near the dead and wounded or had shot and killed wounded victims. Evidence given in this regard was "unsatisfactory" and furthermore "there was no reason for it and had it happened it would have been cold blooded mnrder."

At the same time, however, the report accuses the police of exaggerating the arms carried by the crowd. After the crowd were dispersed "the only weopons left on the scene were a piece of wood, a pick handle and a length of iron."

Opposition attacks 'lack of discipline'

MRS HELEN SUZMAN, law and order spokesman for the white Progressive Federal Party (PFP) opposition, described the Kannemeyer report as "a devastating indictment of the manner in which the minister and his senior officers are handling the portfolio of law and order," writes our Johannesburg Correspondent.

It painted "an alarming picture of confused lines of communication, ambivalent instructions regarding the use of riot control equipment and a disregard of normal standing orders by the police."

The fact revealed by the report that 35 out of the 47 people killed and injured were shot in the back was "shocking" as it indicated "a total lack of control and discipline within the police force," Mrs Suzman said. "It is clear that the entire structure and functioning of the police force needs urgent revision if similar tragic incidents are to be avelded in future."

In a memorandum from the Ministry of Law and Order the Government "reiterated its regret at the deaths" bnt also "reaffirmed its responsibility for safegnarding with all means all the peoples of South Africa in their right to work and partake in cultural and political activity withnnt fear."

It added thot the Government and Sonth Africa owe the police their "gratitnde and appreciation" for bearing the brunt of maintaining law and order at a time of lawlessness

It pledged the following action:

● Review of procedures relating to applications for the prohibition of funerals.

● Constant review of the needs of the police in terms of manpower, equipment and training to carry out riot control efficiently but at the least danger to themselves and the public.

● A board of inquiry under the Police Act "to consider matters relating to certain findings by the Commission in respect of the South African police."

Australian unions to seek changes in tax plans

BY MICHAEL THOMPSON-NOEL IN SYDNEY

THE Australian Council of Trade Unions (ACTU) is expected to demand exemption of food and other necessities from the broad-based consumption tax which forms an integral part of the Hawke Government's plan for sweeping reform of the tax system.

Union views are bound to be the key factor in the tax reform package expected later this year. The tax issue is already shaping up as a make-or-break test of Mr Bob Hawke's Labor Government in Canberra.

Last week the Government published a White Poper proposing introduction of a consumption tax (similar to Britain's VAT), and reductions in marginal income tax rates at all levels.

The package is politically attractive but carries big risks —namely in calling for a tax on real capital gains, o crackdown on fringe benefits, and sweeping exomination of tax shelters such as gold mining ond the film industry. Gold shares have beaten a determined retreat.

The White Paper will be the focal point of a "tax summit" in Canberra in the first week of July. The Government has said it hopes to formulate firm legislative proposals before the end of the year.

In its submission to the tax summit, the ACTU is expected to orgue that the proposed 12.5 per cent consumption tax should not apply to milk, bread, school uniforms, books, public transport, housing materials and other sensitive items.

Top union officials signalled yesterday thot the Prime Minister and his Treasurer (Finance Minister), Mr Paul Keating, must be ready to make concessions, or risk union opposition that could damage both men and compromise Labor's chances at the next election.

Afghanistan siege lifted

THE Soviet Union has gained its first major victory in the Konar Valley of Afghanistan, which borders Pakistan, by lifting the one-year-old siege of the key outpost of Barikot, according to western diplomatic sources in New Delhi, writes K. K. Sharma in New Delhi.

This follows o concerted offensive which began in mid-May in which at least 10,000 Soviet and Afghan troops were involved and helped by 200 tanks and 800 military vehicles. The object of the offensive was to cut off the main supply route for the Mujahadin (rebel) forces operating from bases in Pakistan. A garrison had been besieged at Barikot, a short distance from the border, by rebels for nearly a year.

The next objective of the Soviet campaign is likely to be to seal the supply route, which diplomats in New Delhi feel could be achieved within a fortnight.

When this happens, the rebels will be seriously handicapped in sending men and materials into Afghanistan.

Roger Matthews examines the consequences of the latest crisis facing Unifil peacekeeping forces

UN finds persuasion a futile weapon in Lebanon

THE SEIZURE last Friday of 24 Finnish troops in south Lebanon is only the lotest, but certainly one of the gravest, in a series of crises to have faced the United Nations Interim Force in Lebanon (Unifil) since it was first deployed in the spring of 1978.

For the past seven years, the UN troops have attempted to use persuasion as their principol weapon in a country wracked by internal feuding and subjected to foreign invasion. During that period they have suffered at least 100 casualties, of whom some 40 have been killed.

They were denied from the outset the opportunity to fulfil their mandate, which was to oversee the Israeli withdrawal following the 1978 invasion and more critically to assist the Lebanese Government in re-establishing its authority over the south.

The UN troops, to acheve that objective, had to be deployed down to the international border; but this was prevented by the Israeli-backed militia of the late Major Saad Haddad which sought to exercise its own authority in the border area.

At UN headquarters in New York there has been considerable pride in the professionalism of the 10-nation Unifil force now numbering some 5,800 men. Although little appreciated, it is claimed that Unifil proved highly successful in the period from 1978 to June 1982 in maintaining some stability in the area and in preventing Palestinian and left-wing Moslem factions from passing through their lines in order to attack Israel.

This view was never fully shared in Israel, where Unifil was regularly criticised for failing to prevent guerrilla attacks and on occasion for allegedly assisting Israel's enemies.

On June 6, 1982, the ambitions of Mr Menahem Begin, then Israel's Prime Minister and Mr Ariel Sharon, the Defence Minister, served to make Unifil's role temporarily irrelevant. Israeli troops swept through Unifil positions without hindrance as they embarked on their ambitious plan to rid Lebanon of an armed Palesine Liberation Organisation (PLO) presence and reconstruct the country politically nnder tbe leadership of President-elect Bashir Gemayel.

It was not until political failures and unacceptably-high military losses forced Israel into a phased withdrawal from Lebanon that Unifil's contribution was again discussed; although in the interim the Lebanese Government has always sought and won the six-monthly renewal of the Unifil mandate.

The situation Unifil faces today parallels thot of 1978. Once again Israel has officially withdrawn from Lebanon and again it bas left behind advisers and intelligence officers to assist a militia of its own creotion, the South Lebanon Army, to police a 7-12 mile zone.

So Unifil is once more frustrated from extending its mandote down to the border; hut this time, instead of Palestinion guerrillas, it is the Shi'ite militia Amal which is seeking to attack the Israeli-backed militia.

It was the inevitable hostility between the SLA and Amal which sparked off the present crisis. Shi'ite gunmen succeeded in capturing 11 SLA men, Amal says they defected: the SLA insists they were captured with Unifil connivance. In retaliation, the SLA seized 24 Finns, three of whom were subsequently released.

Intensive top-level contacts between Isroel and contributing governments to Unifil have so far foiled to secure the release of the Finns, although the SLA has withdrawn its threat to kill the hostages. Israel claims that, despite financing and equipping the SLA, it has limited authority over its actions.

However, there is little doubt that Israel would prefer Unifil to withdraw so that it can pursue without any external involvement its aim of imposing an agreement with Amal. The armed Shi'ites in the south have been left in no doubt that if they wish to ovoid further punitive treatment they will neither attack Israeli territory nor permit any other force to do so.

Amal appears equally determined that it will rid the south of all Israelis and any local militia which acts in co-operation with them.

Unifil continues to be caught between these opposing forces and, as ever in UN peace-keeping operations, the effectiveness with which it can exercise its role must ultimately depend on whether those forces genuinely desire a peace to be maintained.

Whether those nations which contribute to Unifil think it is still worth trying in southern Lebanon will be known officially in October, when its mandate is due to be renewed. The manner in which the present crisis is resolved is obviously going to be crucial to the future of a UN presence in that country.

Israel hopes its new plan for Middle East peace talks will smooth out differences with Washington and rednce the risk of the U.S. getting closer to the Palestine Liberation Organisation (PLO), our Tel Aviv Correspondent writes.

Officials yesterday acknowledged there was little new in the five-part plan outlined by Mr Shimon Peres, the Prime Minister, but said they hoped it would prevent Israel being left ont of tha initial phase of any new peace process.

After months of Jordanian and Egyptian peace diplomacy, Mr Peres was anxious to launch an initiative of his own. Time was running out for the Labour Party leader. Under the coalition agreement hc must hand over power to Mr Yitzhak Shamir, Foreign Minister, a right-wing hard liner, next year.

In a clear "it's now or never" message to Jordan's King Hussein, Mr Peres nrged that Israel, Jordan, Palestinians and the U.S. begin direct talks within three months.

'It became clear to the Prime Minister that when the topic is peace, one should be talking obout an Israeli initiotive and we should not just say no to Hussein on the poiots where we disagree," said Mr Uri Savis Peres' spokesman.

Israel has been particularly concerned by Washington's wish to bold a preliminary meeting with a joint Palestinian-Jordanian delegation. It fears this could lead to de facto American recognition of the PLO and U.S. pressure to take unpalatable decisions.

Mr Peres has absorbed this into phase one of his plan which calls for establishment of o narrow Jordanian-Palestinian and Israeli team to prepare a conference between the three gronps

The Israelis however have so far offered no compromises on the key qnestion of which Palestinians they would be prepared to meet. The Peres plan simply says Palestinian representatives should be "authentic" residents of the Israeli-occupied West Bank and Gaza strip.

● Mr Peres's statement received a cool reaction from the Arab world, reports AP from Cairo. The Jordanian Government withheld comment, but the Government-owned Press said the proposals were "a counter-attack on peace" and made "the present problem more complicated without bringing peace closer." Palestine Liberation Organisation officials accused Mr Peres of "refusing all ways of a solution for peace" by excluding the PLO. State-controlled newspapers in Egypt avoided editorial comment.

Western investment sought for Czech consumer electronics

BY DAVID BUCHAN, EAST EUROPE CORRESPONDENT

CZECHOSLOVAKIA IS making a limited exception to its long-time ban on direct Western investment in its industry in soliciting Western interest in setting up a consumer electronics joint venture, a Czechoslovak minister revealed in London yesterday.

Czechoslovakia would thus be putting itself in a middle position in Comecon, between Hungary, Poland, Romania and Bulgaria which permit a range of Western investment, and the Soviet Union and East Germany which do not permit any.

Addressing UK businessmen at a "Czechoslovak Business Week" being held in London and Manchester this week, Mr Karol Horvath, deputy minister of the Electrotechnical Ministry, cited examples of consumer products that Prague was interested in such as televisions, compact disc players, video-recorders and lamps.

He gave two main reasons why the Prague Government had chosen this sector in which to relax its inhibitions about Western investment. First, consumer electronics were largely unaffected by Western export controls. Second, consumer electronics were still a relatively unimportant sector in the Czech market, so that if a joint venture somehow went wrong, the damage to the economy would be less than if, say, telecommunications or large computers were involved.

Mr Harvath implied that his country was still primarily interested in industrial co-operation, presumably manufacture under Western licence, even in consumer electronics. But, he said, "we do not exclude the possibility of discussing the establishment of joint ventures."

Laying out the broad conditions, he said a foreign company could hold up to 49 per cent of the joint venture's equity, could contribute its share in machinery and technical knowhow as well as cash, and would be able to repatriate its *pro rata* share of profits.

Any joint venture would be set under Czechoslovak law and be able to trade abroad on its own account, he said. In the event of liquidation, a "liquidation commission" would assess the value of the foreign company's stake and return it. The deputy minister said no new legislation would be required to allow joint ventures, because there was nothing on the existing statute book that formally banned foreign investment.

After a flurry of Western interest in the early 1980s in setting up joint ventures in two of the East European countries which permit majority foreign ownership, Bulgaria and Hungary, Western enthusiasm for this type of investment has generally declined. There have been few recent additions to the half dozen Western joint ventures which Bulgaria has, or to the 40-odd joint ventures that Hungary has.

Private, Western-owned companies firms, known as Polonia enterprises, have recently proliferated in Poland, but are very small scale, while in depressed Romania, there has been net Western disinvestment since the 1970s.

Abe in E. German talks

BY LESLIE COLITT IN BERLIN

JAPAN'S Foreign Minister, Mr Shintaro Abe, is expected to hear a familiar complaint today in talks with East German officials on the heavy imbalance in trade between the two countries. Mr Abe arrived from Poland, on the first visit to East Germany by a Japanese Foreign Minister since diplomatic relations were established in 1973.

While Japan sold $153m (£122m) in products to East Germany last year, it bought only $42m worth of East German goods. The imbalance was even worse in 1983, when Japan exported $325m and East Germany sold only $?0m.

Japanese diplomats said East German officials would raise the trade problem.

They explained that because East Germany demands counter purchases for a considerable portion of its imports from Japan, Japanese trading houses were re-selling East German goods to third countries. Thus these products were not recorded as Japanese imports from East Germany.

Reform plan for ECGD to be unveiled

By Christian Tyler, Trade Editor

PROPOSALS for a management shake-up of Britain's financially troubled export insurance agency, the Export Credits Guarantee Department, are due to be published today.

The recommendations of an internal review team, helped by outside management consultants, have been kept a close secret. But the City expects at least four suggestions to emerge: higher salaries for top ECGD managers, freeing them from civil service pay scales; a board of directors instead of the present advisory committee; separate underwriting of commercial and political risk; and devolvement of some regional work into the hands of private insurance brokers.

The review was set up after ministers had rejected the central conclusion of a committee of outsiders appointed by them.

This committee, under Lord Matthews, said the ECGD should be converted from a government department into a public corporation in order to make it more responsible to its market and more efficient in its operation.

It is widely believed that the new inquiry has tried to remedy these alleged defects by less drastic means. Any serious reform of the department will need ministrial approval.

Finns in China deal

IVO-Consulting, a subsidiary of Finland's State-owned power company IVO will sell district heating know-how to China. The company is working a heating plan for a town of 700,000 people in the northern part of China, Olli Virtanen reports from Helsinki. When the project is completed Finns expect to get involved in a number of similar projects around China. IVO-Consulting won the deal after three years of negotiations, competing against Danish and Swedish companies.

Korea-U.S. venture

KIA Industrial of South Korea has established a joint venture with TRW of the U.S. to produce car parts, a KIA official said yesterday, AP-DJ reports from Seoul.

Chris Sherwell, recently in Jakarta, examines the latest controversial reform

Indonesia cleans up its ports and Customs

MANY A lurid story has been told of corruption in Indonesia's ports and Customs, of officials at all levels delaying clearance of goods, squeezing importers and exporters at scores of documentation stages and earning fortunes to pay for smart cars and overseas trips.

As of last month, however, all that is supposed to end. In the space of a few April days, the Government issued an array of 33 decrees completely reforming the ports and virtually ending the need for Customs staff by imposing a radical new system.

The move followed the sacking earlier this year of the Customs chief, and is aimed at combating the costs, in efficiency and competitiveness, of the old corrupt ways. Just as important it is part of an ambitious programme of deregulation and reform which has already embraced investment procedures, the banking sector and tax system.

The ports and Customs are the latest target of the reformist onslaught. President Suharto, without any forewarning, issued a presidential instruction on April 4 which even the normally-cautious World Bank described as "bold, far-reaching and sweeping." This was followed by a full set of implementing regulations from Indonesia's economics ministers, led by Dr Ali Wardhana.

The new Customs regulations took effect on May 1. The most significant and controversial of them appointed Société Générale de Surveillance (SGS), a private Geneva-based firm, to inspect and certify imports in their country of origin and exports at their port of destination. Half the 13,000 Customs staff have since been given paid leave, and the immediate effect has been to ensure prompt clearance through Indonesia's ports.

SGS has a three-year contract through a local surveying firm, PT Sucofindo, and has managed to set up its Jakarta operation from scratch in only two weeks. Its elegant and imaginative scheme cuts import and export procedures to a minimum because the firm has a full-time staff abroad of 13,800, at hundreds of cities in 140 different countries.

Under the scheme, an Indonesian buyer making payment by letter of credit (l/c) must advise SGS of the deal at its Indonesia co-ordinating office in the country of the seller. Typically, this is done through his bank and the seller's bank. SGS will then physically inspect the goods to ensure that they are in line with specifications, are correctly classified and conform to the description on the invoice.

More importantly, however, SGS makes a "price comparison" to ensure that the price agreed between buyer and seller is within reasonable limits, in line with the export price prevailing at the time the deal was struck.

If all is in order, SGS will issue a "clean bill of findings." Known in Indonesia as an LKP. This is remitted to the seller's bank, which needs the LKP and a bill of lading for the seller to to receive payment. It then sends the LKP to the importer's bank, which collects his taxes and duties, as assessed by him from SGS's reported findings. The importer then uses the bank receipt to collect his goods at port without any Customs intervention.

Where SGS finds a discrepancy, for example over price or classification, the seller will still receive payment according to the original agreement. The Indonesian importer, however, will always have to pay duty on the full value assessed by SGS, and higher duties where goods are wrongly classified to incur lower ones.

Apart from increasing efficiency, one major effect of the system is to expose and remedy under-invoicing, a persistent malady in Indonesian trade and one helped by the absence of foreign exchange controls. If the importer disagrees with SGS's findings, he can appeal, but without an LKP he receives nothing.

Certain categories of goods, such as banned items, diplomatic goods, weapons for the armed forces and exhibition equipment, are exempt from the new scheme and subject to Customs clearance in the usual fashion. So are goods below $5,000 (£3,940) in value, unless importers choose otherwise. They are already taking advantage of the new scheme to clear their goods more speedily.

Regarding Indonesian exports, the reforms mean that goods are no longer subject to regular Customs inspection in Indonesia. Where an exporter needs documentation in order to claim back subsidies or levies on his imported raw materials, SGS will inspect the export items at the port of destination.

Many Indonesian goods with no import content qualify for this so-called "drawback," but this is expected to change following Indonesia's signing of the Gatt code on export subsidies and countervailing duties earlier this year. The U.S. in particular had complained about the hidden subsidies offered under the old scheme.

All these import and export reforms, which eliminate the scores of signatures needed on trade documents, have been accompanied by equally radical changes at the ports, hitherto among the most expensive in the region.

The port changes simplify the complex web of charges for piloting, mooring, stowing and harbour-master fees, and reduce loading and storage charges. Special firms are also being established to improve cargo-handling, and cut stevedoring fees.

On top of this, the government has abolished the special certificate required by foreign ships to call at Indonesian ports, and ended the need for inter-island ships to carry various forms of documentation. It has appointed new, more powerful port administrators to improve services and ordered the military to enforce the regulations.

Inevitably, however, most attention has focused on the new import arrangements, and SGS officials have been addressing groups of local and foreign businessmen, traders and diplomats to explain how it all works. It is still too early to judge how successful the moves have been, and some importers say they want to test the system, and SGS.

It is also not certain what the likely implications will be for neighbouring Singapore, one of the world's busiest ports, through which many goods bound for Indonesia pass. The Singapore Government never divulges its Indonesian trade figures, partly because of the volume of smuggled goods involved but also because goods can change hands and classification, and price while waiting in Singapore and on their way to Indonesia. This latter trade will now be subject to SGS scrutiny.

SGS's "comprehensive import supervision scheme" has been used by 18 other governments before now including Zaire, Nigeria, Mexico and Angola, but Indonesia's resort to foreign assistance is clearly embarrassing. Its military-dominated government has had to acknowledge that its own Customs, run by figures seconded from the military, has failed the country.

Dr Wardhana: 'full set of regulations'

Gulf Air cuts fares to combat rival from Dubai

GULF AIR, the national carrier for Bahrain, Qatar, Oman and the United Arab Emirates has made fare cuts of up to 25 per cent on routes between member countries, Angela Dixon reports from Abu Dhabi. This follows a decision by Dubai to form a new airline.

Dubai's new airline, Emirates Airlines Company, which is expected to start operations in October, will serve destinations in the region, on routes now served exclusively by Gulf Air.

Gulf Air, in which the governments of the four Gulf countries each have a 25 per cent share, made strenuous efforts to dissuade Dubai from proceeding with its plan, even offering Dubai a one-fifth share in Gulf Air.

As the chief representative of Iata in the region, Gulf Air has been able to set fare prices and determine routes in the member countries. Travellers going from one Gulf destination to another have to fly with this airline, and Gulf area fares have been among the highest in the world in terms of unit cost.

Competition on its home routes is particularly unwelcome for Gulf Air at a time when competition on international routes from the area is fierce.

UK delegation visits S. Korea

A DELEGATION of British industrialists, headed by Mr Geoffrey Pattie, UK Minister of State for Industry and Information Technology, has arrived in Seoul to promote the development of markets for British high technology products, Steven B. Butler reports from Seoul.

British embassy officials say the delegation could play a key role in introducing South Korean companies and government officials to the strengths of British industry.

The visit is also seen as part of a process to rectify the trade imbalance that runs heavily in South Korea's favour.

International coal trade set for rapid expansion

THE international coal trade is expected to expand to more than 600m tonnes a year by the year 2000, a 156 per cent increase over the 1983 level, despite reduction of earlier forecasts, Maurice Samuelson reports.

The increase will be facilitated by the lack of any constraints in the transport systems of major importing and exporting countries and by the surplus tonnage in coal carrying vessels, currently put at 25 per cent.

This is the conclusion of a report by the Paris-based International Energy Agency (IEA) into the infrastructure required for moving coal between various parts of the world.

In 1983, 260m tonnes of coal were traded world-wide, 5 per cent less than the record 273m tonnes in 1982. Current IEA forecasts are for 405m tonnes in 1990 and 630m by the year 2000, representing 56 per cent and 156 per cent rises respectively over 1983.

* *Moving Coal, International Energy Agency, 2 Rue André Pascal 75775 Paris Cedex 16, France.*

AMERICAN NEWS

Reagan's 'last warning' on Salt violations

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

PRESIDENT Ronald Reagao's reoewed but qualified commitment to the Salt 2 treaty was intended as a "last warning" to the Soviet Union to cease violating arms control agreements or face an accelerated U.S. strategic build-up. Mr Kenneth Adelmao, the Director of the U.S. Arms Control and Disarmament Agency, said in Washington yesterday.

He stressed, however, that the U.S. would continue to stay at the Geneva arms negotiating table, regardless of whether or not Moscow met its treaty obligationa. Contiouing Soviet non-compliance with Salt, aod failure to correct past violations, would be met with "proportionate" U.S. military responses, rather than a U.S. walk-out from Geneva, he said.

Mr Adelman's remarks came as conservatives, who were at first appalled by Mr Reagan's provisional decision to comply with treaty limits, were beginning to find some comfort in the carefully drafted anoouncement that he announced on Monday afternoon.

By yesterday it was becoming clearer that Mr Reagan had done little more than postpooc a final decision for perhaps a few months, and put himself in a position in which he could well find himself obliged to break treaty limits if Soviet violations continue.

Mr Caspar Weinberger, the Defence Secretary, who had led the conservative attempt to persuade Mr Reagan to abandon the treaty after it expires at the end of the year, issued a public statement of support of the decision. "What the President is really saying is that the Soviets have until the end of the year to deal with our compliance concerns and deal seriously in Geneva," said a senior Pentagoo official.

Few experts in Washington believe that Moscow will come anywhere near meeting Mr Reagan's demands for treaty compliance.

In the expected absence of any such move by Moscow, the Peotagon and its conservative allies will be in a strong position to insist that Mr Reagan carry out his threats to augment the U.S. build-up

This could take the form of building more than the scheduled 100 B-1 strategic bombers or putting the eighth Trident submarine, the USS Nevada, to sea oext year withoot dismantling an older Poseidon. That would be a clear breach of treaty limits.

Regardless of how Moscow reacts, the U.S. will in any case now regard its planned new mobile, single-warhead missile, the Midgetman, as totally exempt from treaty restraints, Mr Adelman said.

Mr Adelman admitted that the Administration might have a problem persuading Coogress to approve funds for ao accelerated build-up, but he said he detected a "sea change" in congressional attitudes to Soviet violations and that Moscow must be penalised for "cheating."

Nicaragua 'given $402m aid pledges'

BY TIM COONE IN MANAGUA

NICARAGUA has received substantial finance aid commitments totalling $402m from Western and Eastern Europe as a result of the recent visits of President Daniel Ortega and Vice-President Dr Sergio Ramirez.

Dr Ramirez, on his return to Nicaragua this week, said: "We are very satisfied with the results," he pointed out that $202m had been provided by the "USSR, the socialist community and Yugoslavia" and $200m from Western Europe, which he said, reflected "Nicaragua's policy of non-alignment."

The President said not all the aid was for 1985; some was due for dispersal in 1986. A further part is to be dispersed over a longer period for big investment projects such as a geothermal energy plant, being financed by Italy, and a vegetable oil extraction plant to be financed by the Netherlands.

Dr Ramirez said: "The aid is not going to resolve all our problems, but will go a long way to resolving a substantial part of them." He said the U.S. trade embargo had created difficulties for Nicaragua, but that they could be overcome, especially with the support obtained in Europe.

Nicaragua still faces a potential balance of payments deficit of $500m in 1985 because of poor coffee and cotton harvests last season. If sufficient finance is not forthcoming, there are again likely to be critical shortages of raw materials that might affect the coming season's production of coffee and cotton, which together produce around 80 per cent of Nicaragua's export earnings.

Meanwhile, Nicaragua is continuing to face diplomatic problems with Costa Rica after an attack on its embassy in San José by a right-wing mob on Monday. Nicaragua warned Costa Rica several days before the attack that it was expecting such an incident and requested adequate protection for the embassy. The request was turned down.

Lawson urges increase in small shareholders

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

MR NIGEL LAWSON, the Chancellor of the Exchequer, yesterday urged the City of London and the building societies to make it easier for small investors to build up a stake in British industry.

He said that he hoped the current shake-up of City institutions would help to bring down costs for small investors.

At the same time, he said, the Government's Building Societies Bill would allow the societies - savings institutions which lend mostly for house purchase - to offer outlets in shopping centres for buying and selling of shares.

These changes would require imagination and enterprise as well as a campaign to educate the public about the advantages of owning shares.

Mr Lawson said that if the institutions took up the challenge, there was a major new market to be tapped.

The abolition of fixed minimum commissions would mean lower charges for institutional investors, but it did not follow that costs for small investors would rise, as American experience had shown.

The Chancellor was delivering the Maurice Macmillan Memorial Lecture to the Wider Share Ownership Council in London on the broad theme of how to turn Britain irreversibly into a property-owning democracy.

He said the Government's success since 1979 had already had a major effect in transforming attitudes towards profits and the creation of wealth. The measures taken by the Government included:

● A major move towards home ownership the "foundation stone of the property-owning democracy." The sale of some 750,000 public sector houses to tenants had boosted home ownership to more than 60 per cent of all households. These sales had fostered pride of ownership, better maintenance and also a profound change of attitudes.

● Better tax treatment of employee share schemes. The number of these schemes had grown from 30 to about 900, involving 750,000 employees. Their share options now had an original value of more than £1bn. This was "little short of a revolution on employee share ownership." Since the more favourable tax treatment of share options schemes announced in last year's budget, some 1,290 schemes had been submitted for approval.

● Wider share ownership had been encouraged by a series of tax changes including: the halving of stamp duty and a six-fold rise in the threshold at which capital gains tax becomes payable. The business expansion scheme and unlisted securities markets had helped investment in smaller companies.

● The privatisation of 12 major state-owned companies had created an appetite for share ownership among the British public, which others besides the Government could satisfy. About 330,000 employees had acquired shares in the companies they worked for as a result of the privatisation programme so far.

Mr Lawson said that the selling of British Telecom, the largest new issue to have been floated anywhere in the world, had involved 750,000 individual shareholders.

"Many of them probably never owned a share in their lives before," he said, but all of them now saw themselves as owning a stake in British industry.

These were major steps towards replacing the "sterile them and us mentality" by a sense of common interest and shared purpose. This was the Government's vision; the privatisation programme and encouragement of wider share ownership were means towards this end.

He said: "What we are seeking to do is nothing less than to transform the nature of the society in which we live."

Member of Exchange council resigns

By John Moore

MR JEREMY LEWIS, a member of the London Stock Exchange ruling council, yesterday resigned his seat because of his opposition to proposed constitutional reforms at the exchange.

He immediately stood for a place on the council at elections to be fought later this month, in what is expected to be the most hotly contested election the exchange has seen for years.

Mr Lewis, a partner with stockbrokers Seymour Pierce, was advised to resign his seat yesterday by senior stock exchange figures after his public opposition last week to a reform package.

The changes would have led to outside groups that have forged links with stock exchange firms gaining a bigger say in the affairs of the market.

Mr Lewis, who had been a member of the constitutional committee that had drawn up the reforms, spoke out against them at a meeting of stock exchange members last week. In a later vote, while reforms which will allow outsiders to own 100 per cent of stock exchange firms was passed, a second vote on the constitutional changes failed narrowly to gain enough support.

Alliance Society taps market

BY MARGARET HUGHES

THE ALLIANCE Building Society has tapped the capital market for the first time to raise £75m through a syndicated revolving credit facility. It is doing so because this is at current rates of interest a cheaper source of funds than investors' deposits.

The society, which is planning to merge with the Leicester Building Society to become the fourth largest with assets of over £6bn, is the second of the large building societies to turn to the capital market this year. In March Britain's largest society, the Halifax, raised £100m in what marked its debut in the syndicated loan market. Previous forays by societies into the syndicated loan market -- by the Anglia, Yorkshire and Midshires societies have been on a much smaller scale.

The Alliance, which has raised a larger proportion of its funds from wholesale sources than other societies, said yesterday that it was tapping the syndicated loan market at this moment because it provided a cheaper source of funds than savers' investment accounts.

The Alliance is currently paying investors between 10.0 per cent and 10.25 per cent net of basic rate tax, equivalent to a gross return of 14.28 per cent to 14.64 per cent. Some societies are paying even more for their traditional source of funds.

The return which Alliance is now paying investors compares with a margin of 0.1875 percentage points above Libor (London interbank offered rate) for sterling money market rates. The Alliance has the option to pay interest at three months, six months or, with the syndicate's agreement, at any other interval. At yesterday's six months rate the interest rate would be 12.90 per cent, some 1.5 percentage points less than the cost of retail funds.

The terms of the revolving credit facility are less generous than those paid by the Halifax on its syndicated loan of 0.15625 of a percentage point. But the Alliance sees this as the price which it has to pay for the status of the international banks participating in the syndicate, which is lead managed by J. Henry Schroder Wagg.

By the end of this year the Alliance will have raised some £425m from sources other than investors' deposits. This has been largely through certificates of deposit. However, the Alliance was the first society to issue fixed rate bonds, but their attraction has diminished since the recent crackdown on bond "washing". This was the practice whereby investors would sell bonds shortly before the dividend was due to avoid paying tax on the dividend, paying only the smaller capital gains tax.

. The Alliance sees its present move as the prelude to tapping the Eurobond market once societies are allowed to pay interest gross. The Alliance is planning a similar move to that announced on Monday by the Natinnwide Building Society, which plans to raise £100m through a floating rate note issue

Lancia importers pin hopes on new model

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE FUTURE of the Lancia car business in Britain is heavily bound up with a new model launched today, says Mr John Norman, managing director of the Heron group subsidiary which imports the Italian cars.

The newcomer, a luxury mini car called the Y10, needs to stem the steep decline in Lancia's volume sales, down from a peak 11,764 in 1978 to only 2,639 last year.

Lancar, the import company, hopes that Y10 sales will reach at least 3,000 a year and possibly 5,000. That would go a long way towards the 8,000 annual registrations the company needs to be viable and to justify a reasonable dealer network.

In Italy, Lancia, a Fiat subsidiary, pulled out all the stops to get the right-hand-drive versions of the Y10 into the UK market in time for the peak selling season which comes to a climax in August with the introduction of the new prefix letter -- this year "C."

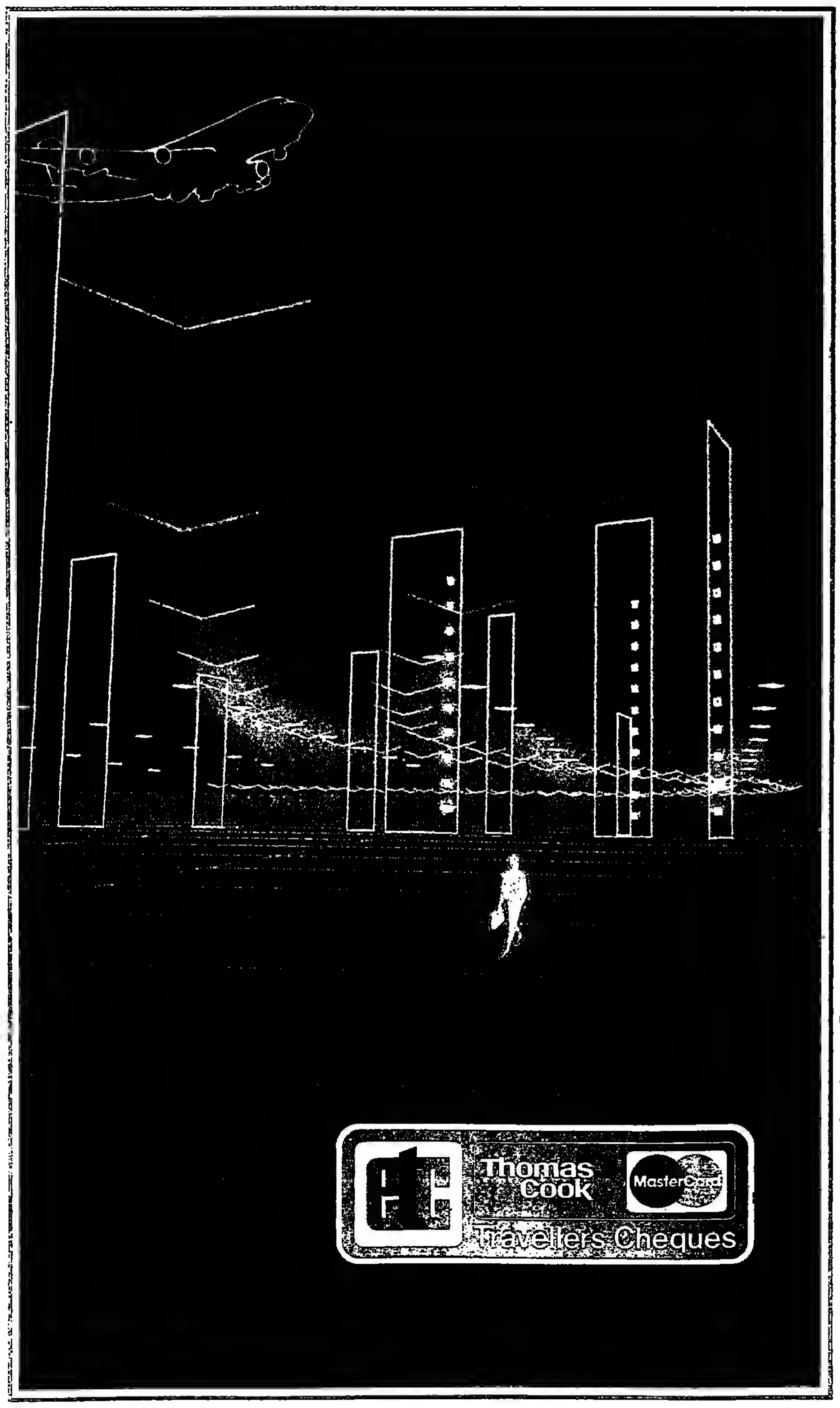
As a result, Britain is the first export market to have the Y10, which was launched in Italy in March. Three versions are available in the UK: the Fire (using Fiat's new Fire 1000 engine) Touring and Turbo, with prices ranging from £4,330 to £5,795.

Mr Norman claimed yesterday that initial reaction of dealers had been enthusiastic and the first two months allocation -- 500 cars -- had been sold before the launch.

The newcomer will be advertised in television, the first time in five years Lancia has used this medium.

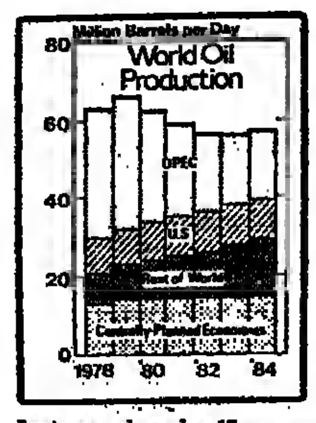
The launch budget is about £1m, relatively modest compared with nther companies and the £5m Fiat spent to launch the Lancia Delta in Britain in July, 1980.

Mr Norman said that Lancar will spend most of its nther promotional money this year to upgrade the dealer network. Five or six dealers from the current 100 are being replaced every month as part of this exercise. Lancar ultimately hopes to have 150 dealers.



Demand for Opec's oil 'at low point'

BY DOMINIC LAWSON



THIS YEAR will mark the low point in the world's demand for oil produced by the Organisation of Petroleum Exporting countries (Opec), according to British Petroleum (BP), which yesterday published its annual review of world energy.

As world demand for oil stagnates, Opec's difficulties have been exacerbated by the relentless increase in oil production outside Opec.

Mr Russell Seal, BP Oil International's general manager, trade and supply, said yesterday that non-Opec production had increased in 1984 by 1.5m barrels per day to 24.5m b/d. It was now running at 25.4m b/d and would hold at that level for the rest of the year.

Increasing production by developing countries in the Far East was a key factor in Opec's discomfiture. But the North Sea producers once again boosted output, with a 9.6 per cent increase from the UK and a 15 per cent increase from Norway.

BP said yesterday that it expected demand for oil not to fall over the next two years and that non-Opec countries would do well to maintain current output levels.

Last year demand for oil increased by 1.9 per cent, the first increase since 1979. But BP pointed out that the performance of oil was "particularly poor considering that some 0.5 per cent of the 1.9 per cent increase in oil demand during 1984 was a direct result of the UK miners' strike and against a background of a 4 per cent increase in overall energy demand."

The report further underlines the extent to which other fuels, cheaper than oil, are continuing to take oil's once dominant place in the energy market.

World gas use grew by 6 per cent, with Japan in particular switching from oil to gas. Total world coal consumption was up by 4 per cent, despite a 30 per cent reduction in the UK caused by the pit strike.

Last year showed a 17 per cent rise in the amount of electricity generated by nuclear plants. this displaced over 40m tonnes of fossil fuel and reduced the demand for fuel oil.

In order to maintain oil prices, Opec last year cut its output ceiling to 16m b/d. But Mr Seal said yesterday that BP estimated that Opec production in May might have slipped below 15m b/d in response to the weakness in oil demand. However, BP rejected any idea that Britain should attempt to ease the downward pressure on oil prices by cutting North Sea production.

Mr James Ross, BP's general manager, corporate planning, yesterday showed the company's anxiety at the current state of the oil market with an attack on those in consuming nations who welcome a return to "cheap oil."

The oil price has fallen by over a quarter in real dollars over the past five years and Mr Ross admitted that, "with Opec's surplus capacity overhanging the market, some might see even larger price falls ahead."

Mr Ross conceded that future growth in energy demand would be satisfied mainly by gas, coal and nuclear power.

North Sea tax revenues, Page 10

Warning on subsidies to foreign companies

BY WALTER ELLIS

BRITISH INDUSTRY is being hit increasingly hard by government subsidies to foreign companies wishing to set up manufacturing facilities in the UK, according to the Electronic Components Industry Federation.

Mr Richard Bullock, the ECIF director-general, said yesterday that accepted guidelines nn subsidies were being allowed to slip, partly through political expediency.

Earlier, a delegation of ECIF Council members, led by Dr Melvyn Larkin, technical director of Plessey had met Mr Nnrman Lamont, Minister of State at the Department of Trade and Industry, to demand a stricter adherence to the guidelines.

Mr Lamont told the delegation he would study the case presented to him and would try in future to consult with established companies in Britain before agreeing to subsidise potential competitors.

Guidelines on subsidies to incoming electronics companies were first laid down in 1980 and were endorsed again this year. They cover the need for the Government to ensure that companies wishing to move in to the UK should not add needlessly to existing spare capacity.

The ECIF argues that bringing in new overseas companies on the basis of state subsidy too nften has the effect of hurting existing companies

BAe to cut workforce

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

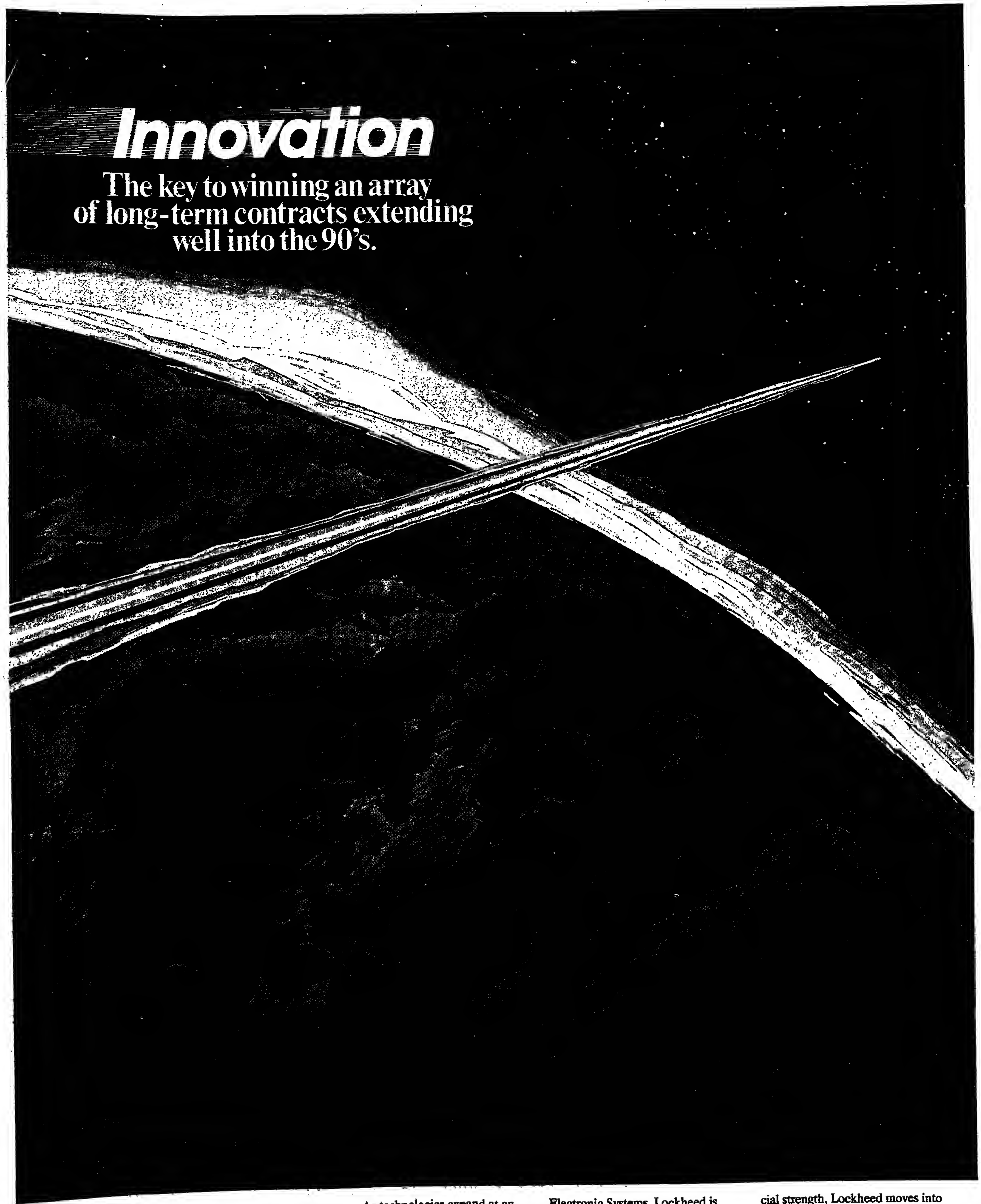
BRITISH AEROSPACE (BAe) is planning to reduce its workforce at its Warton (Lancashire) division over the years, by introducing a programme of voluntary early retirement. No enforced redundancies are involved.

The Warton division, part of the military aircraft group, which builds the Tornado Anglo-West German-Italian multi-role combat aircraft, currently employs about 16,000 and the aim is to reduce this over the next few years at an average rate of about 500 a year.

Nn firm future level of the workforce is fixed. Much depends on the workload involved, especially whether or not a new fighter project (either collaborative or an all-UK venture) replaces the Tornado as the latter programme runs down.

The plan, now being discussed with the unions at Warton, is for all personnel who have served for more than 10 years, to be nble to opt for early retirement if they wish.

A similar plan was introduced for a brief period a few years ago, and is now being reactivated.



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UK NEWS

Shortfall forecast in North Sea revenue

BY DOMINIC LAWSON

UK TAX REVENUES from the North Sea will fall about £5bn short of Treasury forecasts over the next two years, according to a report released yesterday by stockbroker Wood Mackenzie.

The broker, specialist in the oil market, believes in the current fiscal year the Government will receive £11.2bn from North Sea taxes, a shortfall of almost £2½bn on the March budget's projection of £13.5bn.

For the next fiscal year, to April 1987, Wood Mackenzie argues that the tax take will be only £9.2bn, compared with published government forecasts of £11.5bn.

"A cumulative shortfall of £6bn or more is possible before the next election, which will place the Government's PSBR (public sector borrowing requirement) targets in jeopardy," the report argues.

One of the key factors in Wood Mackenzie's pessimism is a belief that the dollar will weaken against the pound, thus cutting North Sea revenues which are dollar denominated. The Government had based its forecast on the then prevailing sterling/dollar rate and on the prevailing dollar oil price.

Wood Mackenzie bases its analysis on the assumption that the Organisation of Petroleum Exporting Countries (Opec) will maintain its present level of official prices throughout this year, but that spot prices will continue to trade well below official prices, with North Sea Brent remaining at about $27 a barrel.

The major benefits of the North Sea oil to the UK economy lie in the past, says the report. It adds, "unfortunately, there are no more peaks to be scaled."

The UK oil output of 2.77m barrels per day reached in January is unlikely to be seen again, while the dollar has fallen by over 20 per cent against sterling since the end of February, the brokers point out.

Last year oil price weakness tended to prompt a compensating drop in the value of the pound against the dollar, thus preserving the Government's oil revenues.

Wood Mackenzie points out that the recent oil price weakness has seen sterling bearing up well, suggesting that an official Opec price cut need not produce a compensating fall in the exchange rate. So a cut of, for example, $2 a barrel in the oil price could feed straight through as a £1bn reduction in government revenues, the report concludes.

Argyll to challenge foodstore leaders

By David Churchill

A FRESH challenge to the market dominance of Tesco, J. Sainsbury, and Asda in the £27bn a year grocery trade was launched yesterday by Mr James Gulliver's Argyll Group.

Argyll, which yesterday reported sharply improved sales and profits for the last financial year, is planning to give an £8m facelift to its 1,000 UK stores to create two national retail chains.

The present 150-strong Presto chain will be more than doubled in size over the next three years by the revamping of Argyll's Liptons, Templeton and Hintons stores. The aim will be to create a supermarket chain with stores able to compete with the best medium-sized stores operated by Tesco, Sainsbury and other national chains.

At the same time, Argyll's 140 "Lo-Cost" chain of small convenience stores will be increased to almost 400 stores over the next three years by the conversion of small stores in the group.

"We feel we have developed a trading formula at the convenience end of the market which we can translate into profits," Mr Gulliver said yesterday.

This new retail strategy will be supported by a £15m investment programme over the next two years on three new distribution centres to provide a more efficient service to the retail chains.

Argyll's plans, allied to an advertising campaign started by the superstore group Asda on Monday, will add fuel to the City of London's suspicions that a new price war among supermarket chains may be in the offing.

Pilkington counts the cost of redundancies

Nick Garnett looks at the pace of industrial change at St Helens, birthplace of Britain's largest glassmaker.

PILKINGTON BROTHERS, Britain's largest glassmaker, produced cash figures last week revealing the financial costs of redundancy. After spending £80m over the past five years on job cuts, it was expecting to spend a further £30m over the next two years.

What these bare numbers do not reveal is the human cost of industrial change, productivity drives, plant closures and manufacturing decline among a clutch of big companies that has afflicted St Helens, Pilkington's birthplace.

The South Lancashire town, which has found itself in Merseyside since local government reorganisation 11 years ago, has been drained of 16,500 jobs through redundancy since 1979, two thirds of them from the glass industry and many of the rest after five big plant closures.

This has bequeathed the town an unemployment rate of 19 per cent and 2.5m square feet of empty factory space.

A pool of 14,400 unemployed has been created from the outright closures of the British Sidac cellophane plant, Smurfitt's packaging factory and the Rockware glass bottle site, together with the breaking up of the Capper Neill engineering group and the labour shedding by Pilkington, United Glass, Ruston Diesels (GEC) and, to a lesser extent, the National Coal Board with its three pits in the borough.

Pilkington's St Helens workforce has tumbled dramatically from 18,000 in the mid-1970s to little more than 7,000 today. But the St Helens job centre has just 370 vacancies on its books, 100 of them in the town.

The 1981 census showed that a third of St Helens workers went outside the borough for their jobs. It is little comfort that the travel to work area, incorporating Wigan which has an even higher rate of unemployment than its neighbour, also has an unemployment rate of little under 20 per cent. Industry and housing live cheek by jowl in St Helens, which has a population of 200,000, half of them within the town itself.

It has one of Britain's largest proportionate Catholic populations and one of the best supported Rugby League clubs

St Helens also possesses a much vaunted local structure for aiding small business start-ups and attracting companies. These bodies include the Community of St Helens Trust and Rainford Venture Capital (both set up by Pilkington) and the local metropolitan borough council's economic development council. They are all brought together in what is termed the Business Partnership of St Helens.

The St Helens Trust itself claims to have assisted more than 370 new enterprises since 1978, which have created 5,000 jobs. Some academics are sceptical of these figures.

Mr Graham White, the council's economic development officer, calculated that new jobs in the borough have been averaging 800 a year through start-ups and company relocations, with an average yearly take-up of 250,000 square feet of industrial and commercial space.

The sheer scale of the problem, however, is only too evident. This yearly figure of new jobs is half the number that Pilkington alone will shed over the next 12 months, having decided to lower its workforce to 5,700.

One effect of industrial change, aided by St Helens' development area status, is that the borough now has 12 clothing companies, including Courtaulds Apparel, Janstorp International and Dashmore. Ironically, St Helens, which has never been a textile town, although it grew close to what was the world's greatest cotton manufacturing area, is now becoming more of one.

One development the council is pleased about is the decision of metal analyser Alfred H. Knight to relocate from Wallasey to St Helens. It is also heartened by labour stability at some long-standing employers like Beecham.

Hope and despair rub shoulders in St Helens and the scores of other towns and cities in the north and West Midlands where unemployment is pushing 20 per cent.

"I think we'll turn unemployment round fast," says Mr David Boult, the St Helens Trust director. "We have never been so busy." This optimism finds little support from Mr Gerry Caughey, coordinator for the Centre for the Unemployed, a rather sad but typical advice agency of a type which have sprung up in high unemployment areas.

"Many people just cannot cope," says Mr Caughey, the senior shop steward during the seven week Pilkington strike 15 years ago. "They are in a terrible bind, feeling no one is bothered. They feel detached from society."

The council has handsome promotional literature, a substantial building programme, little urban blight and a sympathy with local industry recently reflected in a joint survey on skill needs. Two thirds of the borough is agricultural land.

One of the headaches for towns like St Helens is that most new jobs do not end up with those made redundant. Many of them are for women and for people who now commute into the town.

Specialisation brings success in paper and pulp industry

BY ANDREW FISHER

SPECIALISATION is the key to success in today's highly competitive paper industry, Mr John Worlidge, chairman and chief executive of Wiggins Teape Group, told delegates at the Financial Times paper and pulp conference yesterday.

"A company which has no specialisation does not have a strategy, and it is those companies without strategies which will go to the wall," he said on the second day of the two-day gathering. Decisions on how to specialise should be part of a positive development plan rather than a defensive reaction to aggressive competition. "There will be no future, or escape, in specialisation by short-term opportunism," said Mr Worlidge, who is also an executive director of BAT Industries, which owns Wiggins Teape. He said paper mills that had closed in Western Europe had either been unspecialised in the first place or had become so.

In the past 15 years, about 4.5m tonnes of capacity had been shut down in Europe, or more than 500 machines. In the same period, however, 5m tonnes of new capacity had also been installed, involving some 80 machines. "The high-volume sectors of the market have been taken over by mills which have specialised in low-cost manufacture by investing in large-scale machines."

A further 5m tonnes of capacity had been created by the expansion of existing mills and the conversion of newsprint and packaging machines. "Here we have the situation where machines no longer able to compete in one market sector are transferred to another sector, where they gain a new lease of life."

FINANCIAL TIMES
PAPER AND PULP
CONFERENCE

Also focusing on the benefits of specialisation, but in reference to independent companies unlike Wiggins Teape, was Mr Ronald Wylie, former chief executive of Tullis Russell, the Scottish paper company. He contrasted the ways in which such companies could profit both from what he called "differentiated technology" and from having all operations on one site.

An independent company had to rely on its resources to survive. That concentrated the mind, "and in this industry of ours, with its record of low profitability and overcapacity, concentration is perhaps one of the keys to the independent company's success." Specialisation through new technologies could be expensive, however, Mr Wylie said. Tullis Russell itself had spent £14m on a new mill for its Trufio coated-paper process, and there were also high development expenses.

Mr Henry Poole, an analyst with stockbrokers Laing and Cruickshank, expressed mixed feelings about the paper industry. "It has always been highly cyclical, highly capital-intensive, and, in the long run, rather disappointing in terms of profitability."

Noting that government had a particularly pronounced role in the industry in Canada and the Nordic countries, where it was very important in relation, to the whole economy, he said paper making could not be seen in isolation from the political context.

In strict commercial terms, the non-Communist world's output on standard newsprint should be concentrated in 40 or 50 mills, with four machines of 250,000 tonnes annual capacity each in every mill, using efficiently produced pulp and with heat recovery systems. Sweden's newsprint industry would be like that in 1986, he noted, with some 2m tonnes being produced on thirteen machines operated by four companies.

"It does not seem, however, that the same structure will be allowed to emerge in Canada. It also appears likely that much capacity elsewhere will be created or kept in being for reasons unconnected with the sheer economics of the lowest-cost production."

There were endless ways of spending money in a paper mill and many producers were doing their utmost to cut costs in existing plants by investing in new technology."

Mr Frank de Wit, chairman of Koninklijke Nederlandse Papierfabrieken (KNP) the Dutch paper group, floated the idea of the European Currency Unit (Ecu) being used by buyers in Europe.

Other speakers at the conference were Mr Krister Ahlstrom, president of the Ahlstrom Paper and Industrial group of Finland, Mrs Rowena Mills, chief executive of Rowena Mills Associates, the packaging consultancy firm, and Mr David Butler, chairman of Butler, Cox and Partners, the management consultants.

Property team leaves Chase Manhattan

By William Cochrane

FIVE MEMBERS of Chase Manhattan Bank's property lending team in London are leaving to form a new company, backed by British and Commonwealth Shipping, which will specialise in arranging the financing of commercial and industrial property developments in the UK.

Chase, the third largest U.S. banking group, was known to be moving out of property lending in Britain and Europe. Meanwhile, UK developers and property professionals have been seeking ways to bridge the funding gap which appears when a new City of London office building can cost over £60m, and even big institutional funds can commit no more than £20m to one project.

The new company has signed a contract with Chase to supervise the rundown of its existing real estate loan portfolio. Reference has been made to problems in West Germany, but Mr Patrick Scott, who heads the spin-off group, said yesterday that these were 2½ years old.

BASE LENDING RATES

A.B.N. Bank	12½%	■ Hill Samuel	§12½%
Allied Irish Bank	12½%	C. Hoare & Co.	12½%
American Express Bk.	12½%	Hongkong & Shanghai	12½%
■ Henry Ansbacher	12½%	Johnson Matthey Bkrs.	13 %
Amro Bank	12½%	Knowsley & Co. Ltd.	13½%
Associates Cap. Corp.	13 %	Lloyds Bank	12½%
Banco de Bilbao	12½%	Edward Manson & Co.	13½%
Bank Hapoalim	12½%	Meghraj & Sons Ltd.	12½%
BCCI	12½%	Midland Bank	12½%
Bank of Ireland	12½%	■ Morgan Grenfell	12½%
Bank of Cyprus	13½%	Mount-Credit Corp.Ltd.	12½%
Bank of India	12½%	National Bk. of Kuwait	12½%
Bank of Scotland	12½%	National Girobank	12½%
Banque Belge Ltd.	12½%	National Westminster	12½%
Barclays Bank	12½%	Northern Bank Ltd.	12½%
Beneficial Trust Ltd.	13½%	Norwich Gen. Trust	12½%
Brit. Bank of Mid. East	12½%	People's Trust	14 %
■ Brown Shipley	12½%	Provincial Trust Ltd.	13½%
CL Bank Nederland	12½%	R. Raphael & Sons	12½%
Canada Permanent	12½%	P. S. Refson	12½%
Cayzer Ltd.	12½%	Roxburghe Guarantee	13½%
Cedar Holdings	13 %	Royal Bank of Scotland	12½%
■ Charterhouse Japhet	12½%	Royal Trust Co. Canada	12½%
Choulartons**		■ J. Henry Schroder Wagg	12½%
Citibank NA	12½%	Standard Chartered	‖12½%
Citibank Savings	¶12½%	TCB	12½%
Clydesdale Bank	12½%	Trustee Savings Bank	12½%
C. E. Coates & Co. Ltd.	13½%	United Bank of Kuwait	12½%
Comm. Bk. N. East	13 %	United Mizrahi Bank	12½%
Consolidated Credits	12½%	Westpac Banking Corp.	12½%
Co-operative Bank	*12½%	Whiteaway Laidlaw	13½%
The Cyprus Popular Bk.	12½%	Williams & Glyn's	12½%
Dunbar & Co. Ltd.	12½%	Wintrust Secs. Ltd.	12½%
Duncan Lawrie	12½%	Yorkshire Bank	12½%
E. T. Trust	13 %		
Exeter Trust Ltd.	13½%		
First Nat. Fin. Corp.	13½%		
First Nat. Secs. Ltd.	13½%		
■ Robert Fleming & Co.	12½%		
Robert Fraser & Ptns.	13½%		
Grindlays Bank	‡12½%		
■ Guinness Mahon	12½%		
■ Hambros Bank	12½%		
Heritable & Gen. Trust	12½%		

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‡ Call deposits £1,000 and over 9½% gross.
‖ 21-day deposits over £1,000 10½%.
¶ Mortgage base rate.
** See Provincial Trust Ltd.
§ Demand deposits 9½%.

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RESOURCES REVIEW

Why Amoco has succeeded where others failed

By Ian Hargreaves

TO THOSE who argue that the day nf the integrated, multinational oil company is done, the answer, perhaps, is Amoco.

Standard Oil of Indiana, as it used to be called, bas succeeded where many other oil companies bave failed in reconciling the short-term pressures of Wall Street with the long-term instincts of the oilman and in maintaining strong financial performance in the tricky years since 1980.

Its net profits, nn a rising curve since 1982, were last year the third largest in the industry, behind only Exxon and Shell. In 1984 its return nn total assets (8.5 per cent) set Amoco alongside the mighty Exxon (8.7 per cent). Its return on equity bas been maintained in the high teens in recent years, while Mobil and Texaco have slid into single figures.

'Our industry has to look to the long term'

Perhapa because it was never nne of the Seven Sisters — in 1932 Amoco sold its foreign interests to Standard Oil of New Jersey (now Exxon) — Amoco's emergence into the front rank of oil companies has gone relatively unnoticed.

Today, the company is the No 1 petrol retailer in the U.S. with 7.4 per cent of the market; and has the most aggressively expansionist exploration budget nf any company in the world. Last year, Amoco spent $4.6bn on capital programmes and exploration. This year, when many nther companies are cutting back, the figure will rise to $5.1bn. Over 80 per cent of this total goes on exploration and production.

Nor, these days, is Amoco only a force in the U.S. During the last 25 years it has reversed the philosophy behind that 1932 decision and is currently exploring in 34 countries. Amoco is now the leading oil producer in Egypt and last year entered seven new countries — all of them in Africa. At the same time, the company has taken a tough line with governments which it feels drive too hard a licensing bargain with the oil companies. Amoco declined to join the first round of licensing offsbore China and also excluded itself from the most recent Norwegian licensing round.

Mr Richard Morrow, Amoco's chairman, says be expects the foreign emphasis to grow. "In the last fiva to eight years, ebout one third of our total E and P spending was in the foreign area. This year it will be about 40 per cent. Over time, I would expect to see that gradually increase." Worldwide, Amoco has doubled its exploration acreage since 1980 and today has holdings of 170m acres.

Mr Morrow brooks no talk from Wall Street about the financial wisdom of investing ever larger sums in searching for commodity with a falling price. "Our industry is one that bas to look to the long term. Many actions that we are taking today will not have any impact on our financial performance in the next 10 years."

Amoco, he insists will continue to set itself the goal of finding more oil than it produces. In the last five years in the U.S., Amoco has replaced 111 per cent of its reserves against an industry average of around 80 per cent. "To the extent that you can't replace reserves you are faced with liquidating your asset base. This is our seed capital. That is why we are exploring so aggressively," he says.

But behind the scorn for Wall Street's short-sighted focus, Amoco has also, in the era of corporate raiders, been careful to keep its share price perky.

In the last year, the company has spent about $1.7bn buying 10 per cent of its own shares. Although this programme appears to be almost over, Mr Morrow says share repurchase is "something we will continue to look at." The difference between Amoco and Arco, which is also buying its own shares, is that Amoco did not need to borrow money for the transaction. Amoco's long-term debt position is stable and its gearing low.

Amoco has also been quietly involved in a restructuring programme. Although its diversifications in the 1970s price boom were less extravagant than most, the company did acquire at the wrong time a substantial minerals business that is now being spun off to shareholders as Cyprus Minerals. In recent years, the company has also pulled out of a Hawaiian cement business, closed three U.S. refineries and withdrawn from marketing in 11 U.S. states.

Amoco also sold its marketing and refining businesses in Italy and Australia, leaving it with only one foreign downstream interest—its UK refinery in Wales and its chain of UK petrol stations. These lose money and there is little donbt that the company would sell them if it could find a buyer. Officially, Mr Morrow's position is that "we have no plans at the present time."

Amoco is in no doubt that it wants to be an intagrated company, in the sense that it wishes to produce as much crude oil as it refines. Currently its refinery output of almost 1m b/d slightly exceeds its crude oil and natural gas liquids production of 849,000 b/d. Mr Morrow says he aims to bring the two figures into balance by raising crude production.

The company's strategy is unique in the sense that, essentially, it is serving one market — the United States — but from an increasingly fragmented supply base. Amoco, says Mr Morrow, only went downstream outside the U.S. in the first place because of now defunct U.S. restrictions on tha import of foreign crude. "It is no longer necessary that we have an overseas marketing and refining system to help us dispose of overseas production," he explains.

Mr Richard Morrow, Amoco's chairman

But how does Amoco answer the charge that hy pursuing an integrated strategy it is merely harnessing its profitable upstream operations to a structurally depressed and oversupplied downstream? And what does Mr Morrow make of the aggressive deficit refining strategy being pursued by companies like BP, which make a virtue of flexible movement in and out nf oil spot markets in supplying their refineries?

"In current conditions, I wouldn't argue too much that purchasing oil on spot markets can be desirable. But for the long term, I still believe that those companies that control all their own production will fare better than those who have to go to the spot market for their oil," says Mr Morrow.

"When prices start to move up, as they will in the late 1980s and getting on through the 1990s, the control of oil for a company like ours will be very important."

Given that the short-term outlook for the oil market is weak, however, tha strategy requires that Amoco has a low-cost, efficient operating base, in order to survive the hard times.

THE FIVE-YEAR RECORD

	1980	1981	1982	1983	1984
Net income ($m)	1,915	1,922	1,826	1,868	2,183
Return on equity (%)	21.6	19.2	16.5	15.7	17.5
Long-term debt ($m)	2,152	3,036	3,005	3,035	2,565
Capital spending ($m)	4,192	5,227	4,453	4,110	4,630
Proved oil reserves (billion barrels)	2.6	2.7	2.6	2.6	2.6

The evidence is that Amoco has succeeded in this regard. Its average finding costs in recent years have been lower than most. Of 16 major oil companies monitored by accountants Arthur Andersen, Amoco's worldwide average for the years 1980-83 was $11.26 a barrel, ranking it fourth behind Shell Oil ($8.73), Exxon and Unocal. In 1984, however, Amoco's costs rose sharply. The company has bet heavily on the value of U.S. offshore leases, paying over $1.1bn in auction bonuses in the last two years.

Downstream, the company has shed 14 per cent of its refinery capacity and over 30 per cent of its petrol outlets since 1980. As a result, the downstream has remained just about profitable, although net income of $123m in 1984 on assets of $5.9bn is far from satisfactory.

For the future, Amoco's strategy is to continue to bunt for major oil finds, even if that means paying bandsomely for exploration rights. It will also work bard at the unglamorous but essential task of extracting more oil from old fields, by injecting carbon dioxide into wells and other tertiary recovery methods. So far, the company has avoided making major acquisitions, but Mr Mnrrow says this should not be ruled out, eapecially as the company rebuilds its cash base following the stock buy-back.

Downstream, apart from the UK, Amoco's position looks rather stable. However, it plans to expand its chemicals business further into the speciality products field. Amoco has done better with its chemicals business than most oil companies, with net income of $211m last year on sales of $2.8bn. Some 56 per cent of its chemical sales involve proprietary technology, which explains in part why the company was iess caught than some others in cyclical bust of the last chemicals downturn.

Of course, Amoco's ambition —to be e low-cost, efficient prodncer and seller of oil, gas and chemicals, undiverted by other concerns—is not unique. It is a strategy which, in one way or another, all the large oil companies are now pursuing.

Perbapa the key to Amoco'a success has been in its timing. Not having Middle East reserves, the company was not traumatised by the Opec nationalisations of the 1960s and 1970s and it used this period to build up a very strong exploration and production base in the non-Opec world. Run for 23 years by the dynamic Mr John Sweeringen, who in retirement is reshaping the distressed Chicago bank, Continental Illinois, Amoco managed to achieve this globalisation without losing control of its costs.

Mr Morrow, a slow-speaking West Virginian petroleum engineer who came up through the Amoco ranks, gives the impression of a man who knows exectly where he and his company are going. Asked whether the industry will chenge much in the next 10 years, he repiles: "I wouldn't expect any dramatic change."

A man who knows exactly where he is going

It is e judgment that a lot of people do not share but no one can quarrel with Amoco's record to dete.

The first article in this series appeared on May 23. Subsequent articles have looked at the corporate strategies of Mobil (June 3), Arco (June 6) and Texaco (June 10).

TECHNOLOGY

EDITED BY ALAN CANE

The life-saving microchip

Peter Marsh looks at Thorn EMI's work on chemical sensors

TINY SENSORS based on microchips and costing a few tens of pence could help sailors in the Royal Navy, doctors tending patients who are critically ill and householders worried about their gas bills.

The devices are to be produced on a commercial scale by Thorn EMI Microsensors, a company which Thorn EMI is in the process of setting up. Dr Ken Gray, Thorn EMI's research director, says he hopes the new subsidiary will be established by the summer.

Under the plan, the £2.8bn-turnover electronics company will, with technology developed at its research laboratories in Hayes, near London, add minute amounts of material to silicon chips to turn them into sensors capable of detecting a range of substances.

The sensors on which Thorn EMI has concentrated in research are called chemical field-effect transistors or Chem FETs. The transistor, positioned in a piece of silicon by conventional ion-implantation and lithographic techniques, is bonded to another substance whose physical or chemical form is changed by the presence of a gas or liquid.

The change alters the electronic characteristics of the semiconductor, triggering a pulse of electrons that activates a display or recording device.

Although Chem FETs are far from new, problems in reliability have limited applications in commerce and industry. In recent years, instrument and factory-automation companies around the world have taken a new interest in development of microchip based sensors that monitor laboratory equipment or industrial installations for specific substances.

Most such monitoring hardware is based on big and expensive equipment, chromatographs and spectrometers for instance. Many companies are searching for smaller, cheaper sensors which can be installed in bulk, for instance, throughout chemical plants to keep track of reactions and transmit information by digital signals to supervisory computers.

Besides Thorn EMI, other companies investigating production of chip-based sensors include Fujitsu, NEC and Kuraray (a fibre producer) of Japan and IBM, ITT, Kodak and Johnson and Johnson of the U.S.

In Britain, the Department of Trade and Industry has formed a research club for chemical sensors in which several dozen companies such as Plessey, Kent Industrial Measurements and ICI are collaborating over sensor development.

Thorn EMI has targetted its work in sensors in the following areas:

- Fire-detection. In partnership with the Ministry of Defence's Admiralty Research Establishment near Portsmouth, the company's researchers have devised a Chem FET which could help Royal Navy sailors spot the smouldering of electrical equipment which is often a prelude to fires.

In an ingenious scheme, scientists have produced a special organic substance that can be painted on to the insides of cabinets containing electrical devices and which evolves ammonia when heated to 130 deg C.

A sensor in the cabinet detects minute amounts of this gas, sending electrical signals to a computer. So long as all the cabinets in a ship that house electrical equipment are coated with the paint, Navy commanders would have a foolproof way of detecting the start of fires before they get out of control.

The ammonia-detecting Chem FET could have industrial uses in standard fire-alarm systems of the kind sold by Thorn EMI's Protech (formerly AFA Minerva) subsidiary.

- Medical applications. In partnership with scientists in the physical chemistry department of Newcastle University, Thorn EMI's researchers have added membranes to field-effect transistors so that the semiconductor reacts to the presence of ions in solution. The sensors could be made part of medical equipment that monitors the blood of patients in intensive-care units for ions such as hydrogen, potassium or sodium.

Fluctuations in the concentration of these ions can indicate to doctors how the patients are responding to treatment. In the hardware, small volumes of blood from the veins would be routed through tubes past the sensors as the patient is lying in his bed.

Physicians would thus have an instantaneous check on the patient's condition. Conventionally, they have to remove a blood sample to a special laboratory for analysis.

The sensors' membranes interact with the ions in solution, generating a flow of electrons which is detected by circuits in the semiconductor.

The membranes are chosen so that they will interact in this way only with specific ions of a particular size, a factor that depends on the pore distribution and surface properties of the membranes, which can be made from glass or polymer.

As a result of this selectivity, the sensors record the presence of certain ions while remaining oblivious to others.

In an adaptation of the technique, workers are examining how to add to silicon chips enzymes which react selectively with particular substances in the blood stream or urine, urea for example.

Such sensors could form the basis of equipment that gives doctors an instant indication of health problems. Diabetics, for instance, could be helped by equipment which displays in a few seconds the amount of glucose in their blood, so enabling them to adjust their daily dose of insulin.

- Gas monitoring. Another breed of sensor under the development at Thorn EMI comprises a series of tiny beams of silicon dioxide attached to microchip-based electronic circuitry. One end of each beam, which would be 100-400 micrometres long and some 0.4 micrometres in thickness, is fixed while the other is free to move in a stream of gas, in the same way as twigs on a tree react to wind.

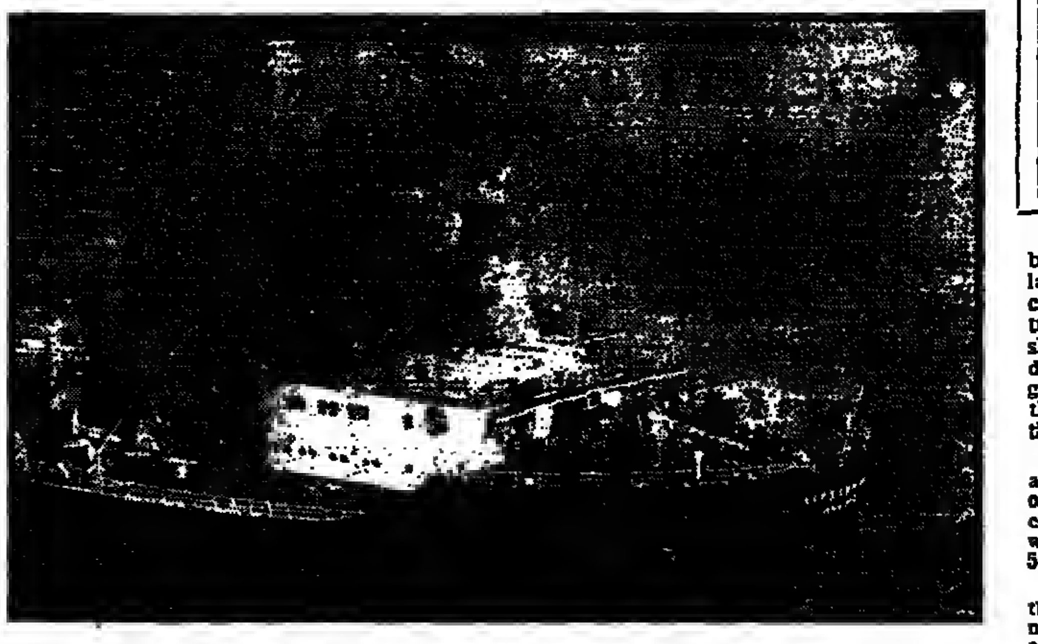
The free end of each beam is coated with a tiny layer of gold, which acts as one plate of a capacitor. The second plate is a similar gold sliver on a fixed point on the sensor.

As capacitance is related to the distance between the two plates, the degree by which the beam is deflected can be calculated electronically from the change in the quantity of electrical energy stored by the gold slivers. From this can be deduced the speed with which the gas stream moves, and hence the quantity of gas passing through the pipes.

Thorn EMI says it can put about 1,000 sensors of this type on a wafer of silicon about 5 cm in diameter. Each sensor would cost no more than about 50p.

The company wants to sell the devices to enterprises that make gas meters for domestic and industrial use. Conventional meters feature a diaphragm which is moved by a set volume of gas. Each time this fixed volume sweeps past the diaphragm, the latter activates a mechanical counter which clocks up the total quantity of gas consumed.

The Thorn EMI sensors will respond to flow speeds as little as 0.7 cm a second. They should also be able to record the kinds of gas velocities encountered in industrial plant. These can be as much as 100 times higher than the standard flow rate for gas piped to houses of 600 cm a second.



Microchip sensors can give early warning of fires on board ship

Profile of companies that use computers

BY ALAN CANE

COMPANIES which use computers tend to have a higher proportion of secretarial and clerical workers, a high growth rate, more formality in communications and less centralised decision-making. Most of them are satisfied with their systems and believe they came up to expectations.

These are the principal conclusions of a survey of 638 UK companies in the services sector by a management studies group in Cambridge University's engineering department.

Among other findings, the study showed that two-thirds of the companies had expanded in the past three years. The financial services sector was growing faster than the wholesale, retail-or-transport sectors.

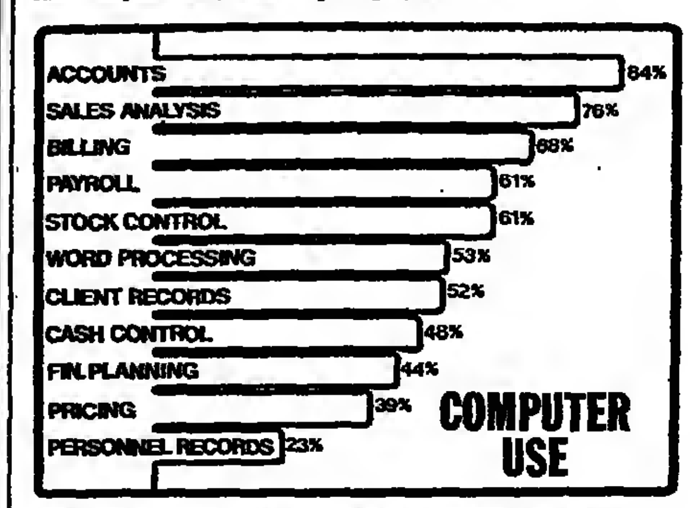
Some 69 per cent of the organisations sampled were using computers. At the top of the list, 92 per cent of financial services companies had computers while the corresponding figure for retail companies, the least computerised, was 54 per cent.

The study found that computer users had fewer managerial staff but more clerical staff than non-users. The authors warned however: "This does not necessarily imply that those organisations which are computer users have increased their clerical workforce as a result. It is possible these organisations have always had a higher proportion of clerical workers than those not using computers."

Across the board, companies use their computers principally for accounting, sales analysis and billing. At the bottom of the list came personnel records.

Word processing was the most common application for companies in the financial services sector.

The survey produced the numerically interesting result that the computer capacity of an organisation increases, approximately, with the square root of the number of employees.



The chart shows the percentage of companies in the survey that use computers for each purpose.

Graphic promise from a new software system

GRAPHS AND TABLES, in colour, and taken from any section of a company's files held on an IBM mainframe computer is the promise of a new software system from Integrated Software Systems (ISSCO) of San Diego, California.

The system, IVISS Manager, is now available for the first time in the UK. It is the latest addition to ISSCO's family of software for visual information display. Claimed to be the first system for business graphics retrieval available to the corporate IBM user, it makes possible the creation of slides, overhead transparencies and paper charts at the press of a button.

The idea is to make it simple for the non-computer user to have access to business information held in the memory of an IBM computer.

The system has three functions. It finds and displays any graphics image and supporting data. It supports the production of 35mm slides, overhead transparencies and paper charts on more than 60 different kinds of graphics hard copy device. And it provides full screen "panels," full prompting which leads the user through in a step by step process, for chart creation, access and modification.

According to ISSCO, their users can maintain hundreds or thousands of charts online and ready for viewing. Even if a dozen users request charts on their graphics display terminals simultaneously, there is no central processor overhead because they are pre-generated and simply need to be transferred from disk to display.

The stored charts are updated automatically by the system monthly, weekly or even hourly.

Waterproofs that breathe

GARMENTS which are both rainproof and breathe have long been a focus for research and development.

Now a novel polymer coating developed at Shirley, the Manchester-based fibre research body, is to be sold commercially.

Ventile fabrics were developed by Shirley in the 1940s but they were showerproof rather than waterproof.

Resistance to rain was always best acomplished with cotton since it swells when wet, whereas man-made fibres do not. It is possible to produce a synthetic fabric that will resist water, but usually it does not breathe well.

Shirley's innovation was to develop a polymer coating which can efficiently transmit perspiration but which does not contain micropores. A polymer formulation of this type has been further developed by Baxenden Chemical Company of Droitwich and is now being produced and sold by the company under licence from the institute.

Baxenden claims that its polymer has excellent breathing properties and, as a bonus, is easily coated on to appropriate fabric substrates.

The new coating material, Witoflex 971 is already being used by several manufacturers of waterproofs.

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THE ARTS

Television/Christopher Dunkley

So who says the best sitcoms are British?

I intended to watch all 7½ hours of *Bodyline*, I really did. I like television's new habit of screening long, intense serial dramas over a single week—"stripping" them, as it is called. But as the opening credits and the music for Episode 1 began to roll, and the feeling of a pastiche of "Chariots of Fire" instantly took hold, doubts began to form.

When we went into a sepia tint history of the British Empire, it seemed clear that an old incident on the cricket field was going to be loaded down with undue significance. The first flutings of what Australians apparently imagine to be early 20th century English accents made my heart sink. And when they began to sing "Happy Birthday To You" at Douglas Jardine's party in 1909, using the familiar tune which was not introduced until 1935, I decided that my time would be better occupied elsewhere.

So I turned to a programme category of which there are at present nine examples on Sunday, two on Monday, one on Tuesday, one on Wednesday, three on Thursday, and six on Friday, though none on Saturday: situation comedies or "sitcoms." Out of that total of 15, six appear on BBC1, four on ITV, four on Channel 4, and one on BBC2. Eleven are British and four American. Three are brand new this season, four are fresh batches of old series, and eight are repeats.

Watching all of them in the course of a week makes you painfully aware that British sitcom has still not found a way out of the trough into which it slid some years ago. It also seems clear that sitcom is now considered an exclusively low-brow form of entertainment. Furthermore, the tendency of the British to assume automatically that our television is superior to American turns out to be just as dubious in sitcom as in news, sport, breakfast television and action series. Most ominous of all, there is only the smallest indication of original thinking in the present crop. Formula writing is everywhere.

The three new series this season are *Mog*, which has been adapted for television by Dick Clement and Ian La Frenais (who wrote *Porridge*) from a book by Peter Tinniswood (who has not yet fulfilled the promise of his 1975 series, *I Didn't Know You Cared*, about a dour and eccentric Yorkshire family); *Home To Roost*, by Eric Chappell, with John Thaw as a divorcé whose teenage son descends upon him in an attempt to arrange a reconciliation between his parents (the opening series has now finished); and *The Bright Side*, a light and mild little series written by the prolific Willis Hall and starring Paula Wilcox (one of the girls in the 1973 series *Man About The House* now repeating on Channel 4) as the wife of an ineffectual chap who has been sent to goal.

Paula Wilcox and Paul Copley in "The Bright Side," written by Willis Hall

Perhaps there has never previously been a series featuring precisely the situations in each of these sitcoms, yet they all feel more or less derivative. *Mog* is the least familiar, with Enn Reitel playing a small-time crook who hides from the law in a phoney mental hospital where his mother—a latter-day cockney Mrs Malaprop, played by Toni Palmer — works as housekeeper. The other inmates are a Peter Sellers-type trade union official; a man who believes he is in a PoW camp; a black man with delusions of grandeur; the son of the clinic's owner who is pursued by Miranda, a sex-hungry schoolgirl; and Miranda's seductive Danish mother, Mrs Mortensen, the resident psychiatrist who sees sexual symbolism in every Rorschach ink blot.

It sounds full of potential and there have, indeed, been several good jokes in each episode. Miranda's unromantic sexual persistence ("Oliver! Don't you want to have knowledge of me . . . ?") is original, and this week's scene with a rookie policeman posing for a group photograph with five lunatics in pyjamas in the middle of the night outside a suburban house was certainly a ludicrous enough situation.

Unfortunately, however, where *Porridge*, with a similar array of characters within an institution, featured highly tailored through-composed scripts which were given ever more point by excellent ensemble acting, *Mog* merely dishes out gags suitable for each eccentric character in turn, and hitches one funny skit to the next like trucks in a siding.

Home to Roost also provided a reasonable quota of laughs per episode, but both aspects of the situation in this series—the overgrown cuckoo chick refusing to leave the nest, and the parents being divorced—have been worked to death in a host of other recent sitcoms. Another six-part series which finished its run on BBC1 a fortnight ago, *Three Up, Two Down*, proved tremendously successful in the ratings, achieving No 4 in the BBC1 Top 10 in its first week, moving up to No 2 for two weeks, dropping to No 9 and finishing with two weeks at No 1.

Clearly this had much to do with the series occupying the old *Panorama* slot against *World in Action* on ITV, but equally clearly (from much previous evidence, most recently with *To The Manor Born*) British viewers do love series which play upon class distinctions, as this one did with salt-of-the-earth Sam played by Michael Elphick and Sloane Rangerish Daphne played by Angela Thorne.

Yet any dispassionate and honest onlooker would have to admit that whichever category of sitcom you choose, the best examples on offer on our four British channels at present are American. For the old-fashioned virtue of a strong story built round a dominant central character there is still nothing to touch *Bilko*, re-running on BBC 2 and celebrating its 30th anniversary this year.

There is now no British series offering the sort of sharp-edged social comment pioneered in this country in such sixties series as *Steptoe and Son* and *Till Death Us Do Part*. For that sort of approach you have to look to the American series *Taxi* which—under a thin if extensive layer of jokes—deals with all sorts of pithy and difficult subjects ranging from the strains suffered by immigrants because of the "melting pot" concept of American cultural identity, to the complexities of modern sexual mores.

And if jokes (in the sense of funny lines rather than situations) is what you want, there is at present nothing British to touch *Cheers*, the American series set in a Boston singles bar. The script is like a continuous series of cartoons from the New Yorker, most of which seem to feature two men sitting in a bar.

British sitcom writers who try their luck in the U.S. often throw up their hands in horror at the hard-nosed attitude of American television executives who pay scant attention to the delicate sensibilities of creative genius and simply demand a laugh every 35 seconds, sending back scripts until they get just that. It might not produce the world's most sophisticated work, but it does make for a funny half-hour which is, presumably, what most viewers are seeking in a sitcom.

That said, there should surely be room also for a little more sophisticated humour here and there. Television is, of course, the great mass medium of our age; and our age is, of course, mesmerised by egalitarianism. But that should not mean that every programme must appeal to every viewer. With all the famous claims for quality made by British television it does not seem unreasonable to suggest that one series in, say, 20 or 30 should aim a little higher.

With the examples of John Cleese and David Wood before them (not to mention the examples of Congreve, Sheridan and Coward) it is time a few of our comedy writers settled down to express their true instincts and passions and thereby to please a more demanding public. At present, every new sitcom appears to be concerned solely with filling slots and amassing ratings by combining all the most successful bits of the previous half dozen series. It may sell lager or help the BBC's ratings push, but it does nothing for British television's much publicised reputation for quality.

Natalya Makarova and Roland Petit

The Blue Angel/Deutsche Oper, Berlin

Clement Crisp

A recurrent theme in Roland Petit's ballets is the mismatching of lover and beloved. The resultant dramatic tensions are both physical and spiritual—it is no accident that a recent ballet was *The Marriage of Heaven and Hell*—and Petit has explored them in Quasimodo's love for Esmeralda, in the lycanthrope's passion for the village girl in *Le Loup*, in Cyrano's dreams of Roxanne. On more subtle terms are the ill-fated relationships in the Proustian *Les Intermittences du Coeur*, and even Coppélius' infatuation for Swanilda in Petit's staging.

Now, in what is his darkest exploration of the human heart, comes *The Blue Angel*. Neither protagonist — the irresistible cabaret dancer, Rosa, or the martinet Professor Raat who falls victim to her—is obviously sympathetic, yet it is to the great credit of Petit as choreographer and as interpreter of the Professor, and of Natalya Makarova as Rosa, that at the end of the ballet's première in Berlin on Sunday we should understand their tragedy and feel sympathy for them both.

The Blue Angel is a title instantly evocative of von Sternberg's film, and of Dietrich, all blond curls and topper. Its narrative and style have long fascinated Petit; but in making his new ballet for the Deutsche Oper Ballet at the request of its director, Gert Reinholm, he has largely bypassed the film and turned to the novel which inspired it, Heinrich Mann's *Professor Unrat* ("Professor Garbage"—the derisive adaptation of Raat's name by his pupils), and to its pre-1914 setting. In Makarova, he has found a ballerina having the sensual glamour, the emotional presence, to explain Raat's passion, and also to stand up to the challenge of comparison with Dietrich's iconic Lola (the name given in the film to the novel's heroine, Rosa).

The Blue Angel is about obsessive love, and the wrecking of lives—both Raat's and Rosa's—which result from it. It is also a vehicle for two great dramatic performers, and its momentum comes from Rosa's acceptance of marriage with Raat as a means of social betterment. Their incompatability, Rosa's inability to have any feeling for him save scorn, is the machinery of their common destruction.

Petit's acute theatrical sense can be seen in his staging of the ballet in a city where Heinrich Mann's tale has immediate cultural resonance, and in his use of a dance language which refers to German expressionistic techniques. His is not a literal narrative: its elisions and extravagances are highly stylised. We sense this from the first, when curtain-rise reveals the setting: Josef Svoboda has provided a pendant cyclorama, cut out to become the skyline of some claustrophobic German provincial city, the inky darkness of the stage serving as the town itself, distant lights suggesting house doors and windows, with scenery dropped in to pinpoint exact locales the Blue Angel cabaret; Rosa's dressing room; the Raat household. We find it, too, in Marius Constant's eclectic score, which ranges from electronics to pastiche songs that comment on the action.

The action concerns three chief characters: Raat, Rosa and Lohmann, one of Raat's pupils who becomes Rosa's lover (a role well taken by Jean-Pierre Aviotte from Petit's Marseille Ballet). Surrounding these are a band of Raat's students, excellently danced by the men of the Deutsche Oper Ballet, and a cabaret troupe who represent Rosa's world.

The first act shows Raat as a stern, buttoned-up disciplinarian, suspicious of three of his students who frequent the Blue Angel cabaret, following them there and seeing Rosa. He falls wholly under her spell, and she plays with him like a cat with an all-too-willing mouse, while yet maintaining a passionate relationship with Lohmann. Raat's submission to her femininity brings about their wedding, wherein Petit portrays the obsessed Raat's hope for continued respectability and the conflict with the vulgarity which lurks just below the surface of Rosa's world.

The second act (a brief 35 minutes, compared with the excessive 75 minutes of the first) shows us the marriage gone fatally wrong. Rosa is trapped and desperate. Raat seeks to amuse her, even submitting to playing the clown while the viciously bored Rosa goads him into further and greater indignities. She dreams of past lovers; she succumbs again to Lohmann, and is then rejected by him. Her revenge upon Raat, whom she knows has precipitated this rejection, is to make him perform like a dog, begging, playing tricks. His degradation is absolute; her despair no less so. As he finally collapses at her feet she leaves him, and we see her at the last journeying to a new and hopeless future.

Thus the action. Petit's choreography intersperses big ensembles for the students and cabaret artists with intimate scenes in which Rosa's devastating sexuality wreaks its havoc, and it is in these that the ballet's power resides. For Makarova, in what is the first full-length ballet made for her, there is the occasion to display both her dazzling and slightly mocking skill to create the irresistible Rosa of the cabaret, and her greater art in portraying a woman who cannot resist dominating her admirers, and who, whatever small regrets she may feel, must break from the prison of marriage with Raat.

With complete callousness she uses him to amuse her, as bitter vengeance upon his weakness in marrying her, and she knows a no less bitter anguish when Lohmann in turn rejects her. It is an interpretation completely understood and exquisitely danced, from the leggy, come-hither sexuality of the cabaret to the destructive anger with her husband-victim in the second act.

For Roland Petit there is the chance to show, as he has ever done since his Don Jose in *Carmen*, that he is a superb dance actor, outstanding in tragic roles. He moves from rigid authoritarian to hapless victim, and finally undignified fool, with a marvellous invilability: the character tightly focused, heart-rending. The confrontation between these two magnificent theatrical personalities gives the ballet its heart—a broken heart, of course, but one whose breaking makes for compelling viewing.

Saleroom/Antony Thorncroft

Museums on a spree

A brass astrolabe, made in Flanders around 1560 and bearing the name Jacobus Valerius—who might have been either the maker or the owner—sold at Sotheby's yesterday for £37,400 in an auction of scientific instruments. The buyer was a Continental collector and the price just exceeded Sotheby's expectations.

London dealers also were busy. T Philip paid £5,280 for a brass Holland circle of the late 17th century and £4,400 for an Italian brass sector of 1691, signed Dominicus Lusuerg. Wainwright acquired a James Smith brass binocular/monocular microscope, mid 19th century, for £3,280, while Weston paid £4,620 for a German Hahn type mechanical equinoctial ring dial of about 1770.

A feature of the auction was the buying by museums. The Science Museum acquired six items, with a top expenditure of £1,100 for a combination saw and forceps made around 1815 by Thomas Machell. It also bought a bronze opium weight, a brass syringe set of the late 18th century, and a German bone saw.

A French Virotop portable typewriter of around 1914 went to the Milwaukee Museum for £264 and the Museum of the Pharmaceutical Society acquired a 19th century pewter leech jar for £264.

Phillips held one of its better British picture sales, with a total of £245,080 and 14 per cent unsold. There were two disappointments: an attractive portrait of Felicity Trotter by Sir Thomas Lawrence sold for £48,000, below estimate, while "A Wooded Path," a sketch by Constable made in 1801 and much influenced by Gainsborough, was bought-in when the bidding petered out at £14,000.

The Lawrence was previously unrecorded and has also been dated to around 1801. It was during this period that the artist's financial position became precarious and, to meet his debts, he undertook five sittings a day, with a deleterious effect on his work. However, this portrait of a young beauty is appealing enough.

A still life of game by William Duffield sold for £24,000 (as against 210 guineas at Christie's in 1960) to a Californian dealer; Colnaghi paid £15,000 for a portrait of a gentleman from the "Circle of Nathaniel Dance"; and a John Glover landscape made £11,000.

Christie's had only mixed success with its picture sale on Monday night, with a total of £84,286 but 25 per cent unsold. The most interesting lots were two paintings of fruit and flowers by Mark Gertler, which made less than anticipated at £6,000 and £2,500. Not surprisingly, the top price of £8,500 was paid for a Munnings, this time a portrait of a dog rather than a horse. "The reed cutter," a typical peasant realism picture of 1886 by Sir David Murray, went for £3,400.

La Bayadère/Covent Garden

Clement Crisp

The Royal Ballet's present triple bill is well planned, with *La Bayadère* and David Bintley's *Consort Lessons* preceding the stellar matter of Antoinette Sibley and Mikhail Baryshnikov in *A Month in the Country*. The Shades scene from *La Bayadère* is a work in which, in an ideal world there should be no débuts.

Alas, Covent Garden's is a far from ideal world, and on Monday night Deirdre Syden and Jonathan Cope were plunged into dance's deep end. That they surfaced is tribute to their nascent abilities, but it would be idle to pretend that this joint first appearance held more than promise of better things to come with experience. Miss Eyden's beauty and her generosity of style are advantages in her interpretation; Mr Cope's largeness of dance impulse is also welcome. With study, coaching, more performances, they may in time claim the scene as theirs by right, as did Lesley Collier and Stephen Jefferies in strongly shaped readings last week.

I found the lethargic tempi adopted by the guest conductor, Isaiah Jackson, far from convincing. His soporific account of the Shades' entry breaks the full stretch of the choreographic image as each bayadère steps into arabesque. What should be a single dynamic phrase is fractured, and the expansion of each body's line is poised on the tremulous base of the working leg.

Among the Shades soloists, mention must be made of Fiona Chadwick in the third variation which she presents with a clarity that tells of entire understanding of its shape and style.

The overdue return of *Consort Lessons* has brought performances of the most satisfying polish. The chain reactions of the choreography in the first movement, as steps and ideas pass from one dance to another, are glittering fragments which David Bintley builds into dazzling patterns. The second movement, for Lesley Collier and four cavaliers, is Mr Bintley's Rose Adagio, and beautiful. The finale returns to the energies of the opening, and is suddenly touched with mystery as the four men lie upon the ground. Everywhere, one senses the skilled realisation in dance of Stravinsky's concerto for piano and wind. *Consort Lessons* is, I suspect, Mr Bintley's most assured creation, and it is a work to treasure.

About Monday night's *A Month in the Country* with Antoinette Sibley and Mikhail Baryshnikov, I note simply that their performance seemed even more intense, that Miss Sibley conveys every mercurial flight of Natalya Petrovna's feelings with entire simplicity and grace, and that Mr Baryshnikov places his characterisation, Russian fashion, wholly inside the score. His is an interpretation by a musician as well as a great dancer.

Claudio Arrau/Festival Hall

Andrew Clements

The reference books tell us that Arrau is now 82, and he has not given a concert in London for several years. On Monday, however, he appeared at the Festival Hall for a programme whose contents were quintessential Arrau: Beethoven's E flat sonata Op. 81a (*Les Adieux*) and the Appassionata Op. 57, together with Liszt's B minor sonata.

It could so easily have been an evening only of memories, with a great pianist evoking former glories. This was something much richer and more enduring. It would be idle to pretend that the fingers are as sure as they were 20 years ago; passages in the Liszt sonata cruelly exposed that. But a great deal more was right than wrong, and the moments of supreme technical assurance were quite exhilarating: one recalls a downwards scale near the beginning of the finale of the Appassionata that was so beautifully unfurled as to make the spine tingle with amazement and delight.

From a pianist conventionally associated with weighty, deeply considered performances, Op. 81a emerged surprisingly small-scale, without undue emphasis or grandiloquence, but lithely, directly delivered. Op. 57, in contrast, favoured careful exposition, with the left hand adding eloquence and warm textures to every paragraph; no surface excitement here but a sequence of superbly delineated emotional curves, each one precisely tailored to articulate the music to the maximum advantage. If anyone came to hear 70 years of music-making distilled into a single work, here it was.

Yet more Beethoven would have made the recital even finer, but Arrau chose instead the Liszt sonata, a work long associated with him. The technical blemishes did take the edge off some of the work's more daring exploits, and instead one was left to savour the myriad inflections lavished upon the reappearances of the work's principal theme, the open-hearted hymning of the Andante, the witty, light-fingered opening to the fugue. It is no longer a perfectly rounded experience, but still one which reveals more about this elusive work than any number of technically perfect accounts.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

June 7–13

Theatre

LONDON

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

On Your Toes (Palace): Rodgers and Hart's 1936 musical is a genuine tonic. American jazz dance collides with the Ballets Russes. Gems include There's a Small Hotel, Glad to be Unhappy and the Balanchine ballet for Slaughter on Tenth Avenue. (437 6834).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. American Clare Leach is a real find as Peggy Sawyer, and Margaret Courtenay has a field day (836 8108).

Me and My Girl (Adelphi): Sleek, efficient and enjoyable revival of Britain's biggest war-time musical hit with Robert Lindsay in the Lupino Lane role emerging as the best new musical star since Michael Crawford. (836 7611).

Barnum (Victoria Palace): Michael Crawford returns to London with his breathtaking performance as the circus impresario, adding one or two new tricks in a likeable meringue of a musical. (834 1317, credit cards 828 4735).

Jumpers (Aldwych): Confident almost sober revival of Tom Stoppard's glittering comedy of love, murder and linguistic mayhem among the logical positivists, with Paul Eddington a more earth bound George Moore II than was Michael Hordern, Felicity Kendal delightful as his retired musical comedy wife. Peter Wood directs. (836 6404, credit cards 379 6233).

Old Times (Haymarket): Pinter's 1971 reminiscent idyll has Liv Ullman and, in the best performance, Michael Gambon competing in the present and the past for a glacial Nicola Pagett. David Jones's smooth production is less monumental in tone than was Peter Hall's: the text is very fine and very funny. (930 9832).

Richard III (Barbican): Last year's Stratford-upon-Avon production with Antony Sher demonically exciting as Richard in the RSC revival by Bill Alexander. Plays in repertory with Roger Rees as Hamlet and Kenneth Branagh as Henry V. All worth seeing. (628 8795, credit cards 638 8891).

Waste (Lyric): Deserved transfer to Shaftesbury Avenue for the RSC's fine Harley Granville play about a politician ruined by sex scandal. Daniel Massey and Judi Dench head John Barton's production. (437 3686).

Breaking the Silence (Mermaid): Another RSC transfer, of Stephen Poliakoff's account of his family's emigration from post-Revolutionary Russia, Alan Howard succeeding Daniel Massey alongside Jenny Agutter. Ingeniously set in an Imperial railway carriage. (236 5568).

The Mysteries (Lyceum): The theatre of Henry Irving and Joe Loss restored for theatrical performance after 40 years. Bill Bryden's NT production in three parts is not to be missed, one of the great events of recent years. All three shows played on Saturdays for this limited run. (379 3055).

NETHERLANDS

Amsterdam, Stalhouderij (Eerste Bloemdwarsstraat 4). A solo double bill from Barbara McEly in French Gray by Josef Bush (Marie Antoinette's meditations on the night before she goes to the guillotine), and Chekhov's No Smoking (Wed and Thur). (26 22 82).

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

Dreamgirls (Imperial): Michael Bennett's latest musical has now become a stalwart Broadway presence despite the forced effort to recreate the career of a 1960s female pop group, à la Supremes, without the quality of their music. (239 6200).

Brighton Beach Memoirs (46th St): The first instalment of Neil Simon's mix of memories and jokes focuses on a Depression-era Jewish household where young Eugene falls awkwardly in love with his cousin. (221 1211).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

Sunday in the Park with George (Booth): Inspired by the Seurat painting, Stephen Sondheim fashions a musical with dots and dashes of song that end too soon but work well with Tony Straiges's pretty set and James Lapine's book which changes gears in the second act. (239 6262).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

Torch Song Trilogy (Helen Hayes): Harvey Fierstein's touching and funny recollections as a drag queen add up to the best histrionic Sarah Bernhardt role on Broadway today. (944 9450).

WASHINGTON

Count of Monte Cristo (Eisenhower): The second production of Peter Sellars' new American National Theatre company is the James O'Neill version of this swashbuckler. (254 3670).

Sweeney Agonistes/Tate Gallery

Michael Coveney

Although Stephen Spender said that Francis Bacon's triptych inspired by T. S. Eliot's *Sweeney Agonistes* was an example of the immediate impact of the poet's hectic, jazzy fragment upon an artist of genius, it is impossible to detect any relationship between the two works as displayed in uneasy juxtaposition by Rostrum Theatre at the Tate.

Sweeney was an unfinished piece in 1925, abandoned possibly because there was nothing else in theatre at the time to compare it with. This interesting thesis is Peter Ackroyd's in his Eliot biography. Sally Gray's Rostrum cast hardly give the work a chance, as it is badly delivered, the character of Sweeney left to flounder in the wash of inexpert poetic articulation.

The *Sweeney* connection is obviously art dealer's twaddle for which Sally Gray and Co have fallen as easily as did Mr Spender, egged on by the rasher Bacon no doubt. The triptych is certainly not one of Bacon's best and not even the tense ejaculation of Eliot's "Birth, and copulation, and death" can make it so.

On the left, two figures lie post-coitally in a glass booth on a slanting table, with—what?—a toast rack and a desecrated cigarette packet upstage and downstage of them; on the right, a man behind a transparent mirror telephones somebody as the two bodies merge in the manner of Muybridge's wrestlers; in the centre, blood and meat on the night train, an open window, a hurriedly packed grip.

Nothing to do with Eliot's exactly phrased intimations of mortality and the jejune collation of snippets, here plastered round *Sweeney*, from early poems and *The Waste Land*. Of the four actors Keith Bartlett, although failing as Sweeney does project a hollow-eyed despair, and Michelle Newell is at least vital and intelligent. The performance is given each night until June 21. I advise sticking to the wall art.

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Britain's plan for Europe

IF THERE is one issue on which all EEC members agree it is that urgent steps are required to give a boost to the further development of the Community and, in particular, to improve its decision-making machinery. The practice of taking all important decisions in the Council of Ministers unanimously has already proved to be a serious brake on the development of the 10-member Community, as it did on that of the original six. If it continues to be applied once Spain and Portugal become members on January 1 next year, there is a risk that the Community's institutions might seize up altogether.

For these reasons, the European Community summit in Milan at the end of this month, will be of unusual importance. Apart from discussing ways of improving the decision-making machinery of the Community, the heads of government will also have before them proposals for completing the Community's internal market and extending foreign policy co-operation.

Britain, which has not exactly been in the forefront of those seeking a grand design for Europe, has now come up with a series of proposals, about which the least that can be said is that they are realistic and practicable. They will not, it *is true*, appeal to the most federal-minded members of the Community, such as the Netherlands, Belgium and Luxembourg. But they could well form the basis of the inevitable compromise which will have to be reached at the end of the day.

While the Benelux countries and Italy have enthusiastically endorsed the proposal by the Dooge Committee on institutional reform to hold an intergovernmental conference to revise the Treaty of Rome, Britain has come out firmly against such a conference.

It is right to do so. Whatever the emotional appeal of another Messina-type conference for traditional "Europeans," the disadvantages of embarking on such an exercise are evident. It could open up a whole Pandora's box of issues which would take many months, if not years, to resolve. In the meantime, the urgent reforms which everyone deems necessary would be delayed.

The proposals put forward last week-end in Stresa by Sir Geoffrey Howe, the Foreign Secretary, are intended to avoid such a pitfall. Instead of making majority voting the universal rule for all decisions, as the purists would like, they recognise there will always be matters of outstanding national importance on which member states will refuse to be outvoted.

Nevertheless, the British proposals do provide for a greater use of majority voting than hitherto—specifically in those areas for which this procedure is laid down in the Treaty of Rome, but where the practice has been to take unanimous decisions. It would also become more difficult to invoke the so-called Luxembourg compromise, under which governments have been able to plead a "vital national interest" as a reason for vetoing any decision. Sir Geoffrey has proposed that, henceforth, governments would have to "explain" a veto in the full Council of Foreign Ministers, instead of allowing its sometimes indiscriminate use by any departmental minister.

Taken together with the proposal for the setting up of a special secretariat for the promotion of foreign policy co-operation and for a binding commitment by governments to consult each other before taking foreign policy initiatives, these suggestions represent a real step forward in Britain's attitude towards the Community.

Support

At the same time, there are some obvious inconsistencies and shortcomings in the British stance. The Government cannot, almost in the same breath, call for an accelerated timetable for the removal of the remaining barriers to a genuine common market, particularly in the field of financial services and transport, and yet maintain its reservations on tax harmonisation.

Sir Geoffrey's proposals on the extension of the European Parliament's powers, confined as they are to more regular consultation with the Parliament on important issues, are also decidedly thin and are hardly in line with Britain's original enthusiastic support of a directly-elected Parliament.

"Democratic" logic demands that, at some stage, an institution elected by universal suffrage should be given more than just consultative powers in shaping a Community which is gradually increasing its influence on the citizens of member states. The Milan summit may be too early to expect great progress in this direction, but the problem cannot be shirked indefinitely.

Less regulation, less control

IT HAS for some time been known that financial deregulation in the U.S. has made it progressively more difficult to set monetary targets, with the result that policy has lurched between unintentional over-tightness, helping to precipitate the 1981 recession and the international debt crisis, and the subsequent pragmatic relaxation. In Britain the authorities appear at last to have acknowledged that the prevalence of floating interest rate credit makes it very difficult to control the broader measures of the money supply, and almost impossible to use interest rates to check the growth of private sector credit. Things seemed more orderly in countries which do not speak English.

In recent years, however, the accelerating relaxation of controls in most of the main financial markets, as the authorities have scrambled to maintain market share, has made these problems pretty well general. As the Bank for International Settlements points out, growing substitutability between money and other financial liabilities, and the growing integration of onshore and offshore money and credit markets have made the meaning of any but the narrowest aggregates increasingly obscure, and robbed the authorities of a fulcrum for their policy interventions. As a result, the setting of targets has less and less effect on expectations, and the success of policy is judged not in terms of targets for monetary growth, but of the performance of the real economy. We are getting back to the seat-of-the-pants control of money which targetry was supposed to banish.

If this were the only result of deregulation, many would regard it with equanimity; the world got on very well without monetary targets until quite recently, in historic terms. The BIS sees more worrying dangers.

One might be described as the externalisation of risk. Banks and other credit intermediaries used to be constrained in their expansion by the risks of interest rate or currency exposure. Floating rates and the development of swap and future markets have made it possible to avoid or unbundle such risks, so that expansion has been much more vigorous. However, this has greatly increased the exposure of the system as a whole to the risk of bad debt, as expansion has made funds available to more questionable borrowers, and competition has driven down the margin differentials which previously provided some insurance against such risks.

The sovereign lending crisis made these risks very evident to bank depositors, and the result has been a second wave of change, to which the ugly label of "securitisation" has become attached. Investors have switched out of bank deposits and into direct claims on the most creditworthy borrowers, through the Eurobond and commercial paper markets. The result has been a fall in the quality of bank assets and a rise in contingent liabilities, which are not reflected in balance sheets.

Uncertainty

This is a far more serious matter than the fog of uncertainty which now surrounds monetary targets. Central bank supervisors, who are aware of the problem, have responded by calling for a reinforcement of bank capital; but since much of this has been raised through floating-rate notes sold to other banks, the result is more to generalise the problem than to control it. The systemic risk which would follow any major bank failure is now international—and as Britain's experience with Johnson Matthey Banking has reminded us, in today's markets even small banks can fail for startlingly large sums.

All of this adds up to a formidable challenge for prudential supervision, and it is presumably only because the BIS represents central bankers who are already aware of the problem that the warning is stated in such muted language. It may take something louder, though, to get through to politicians who seem to see all the potential gains in efficiency which broader competition can bring, but few of the risks entailed in this permissiveness.

AERO-ENGINE TECHNOLOGY

A revolution in the making

By Michael Donne and Lynton McLain

AIRLINERS may be much quieter, and cheaper to fly in the 1990s, if the current research into a revolutionary new type of aero-engine fulfils the promise that some in the world aerospace industry are now claiming for it.

Variously called just a Prop-fan (Pratt & Whitney), the Unducted Fan (General Electric), the Ultra By-pass engine (Boeing), or simply the Advanced Propeller (Rolls-Royce), the new development offers the prospect of savings of up to 40 per cent in fuel consumption compared with today's conventional turbo-fan (jet) engines.

Virtually every major aero-engine and airframe manufacturer is either directly involved in research into Prop-fans (the generic title given to the development), or is showing strengthening interest in it. All concede that a revolution in aero-engine technology seems to be in the making.

This interest in the new engine provided one of the dominant themes at this year's Paris International Air Show, but there were also clear differences of view among engine and airframe makers about the scale of the development problems involved, and the likely availability of the device for operational service.

The cause of all this excitement is, in its simplest form, an extension of the already well understood principle of turbo-propeller power—the harnessing of a propeller to a gas-turbine engine. Turbo-prop airliners are well known—there have been many types of them, from the earliest, the British Vickers Viscount in the early 1950s.

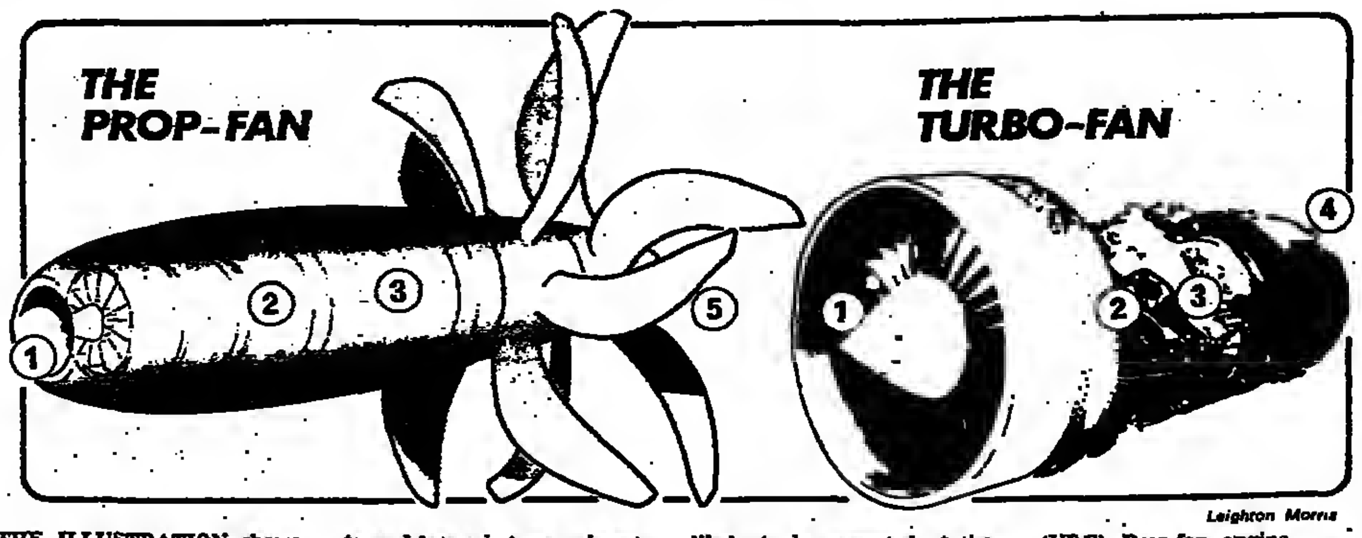
What is new about the Prop-fan, and what promises to revolutionise airliner economics, is the propeller itself, although there will also be some design changes in the gas-turbine engine (see the caption to the illustration). Instead of the conventional three or four-bladed propellers so common today, in the Prop-fan, they will consist of up to 12 to 16 blades, each shaped more like the blades on a ship's screw, either all fixed on one rotating hub or, more likely, on two closely-linked counter-rotating hubs each bearing six or more blades.

The manufacturers claim that this will mean not only substantial savings in fuel consumption by comparison, but also big reductions in noise and vibration. Propeller-driven airliners would also be able to fly almost as fast as jet airliners; so far no turbo-prop airliner has been able to do this.

Over the past 30 years of development of gas-turbine aero-engines, from the earliest "straight-through" type of jet to today's "high by-pass turbo-fans," the fuel consumption per seat-mile flown for long-range airliners has been reduced by two-thirds, as a result of progressive improvements both to the engines, and the aerodynamic shapes of the airframes.

Further improvements in both conventional jet engines and airframe design can probably yield additional small savings in fuel consumption and noise, but the chances of radical new breakthroughs in jets are limited, while the cost of achieving even the smallest improvements in fuel usage or noise is rising steeply.

As a result, designers have for some years been concentrating on propeller engines, though there will certainly be continued heavy reliance on, and development of jet engines not least because of the heavy investments already made in them.



THE ILLUSTRATION shows the basic difference between today's widely-used turbo-fan (jet) engines (right) and the new rival generation of Prop-fans (left).

In both engines, air is taken in at the front end of the engine (1). It is compressed (2), and burned (3), and turned into a hot gas exhaust, which in the turbo-fan provides the thrust (4) to drive the engine/airframe combination forward.

In the Prop-fan, the exhaust is used to drive the rotating hubs (5) on which the new type of propeller blades are mounted. The Prop-fan is likely to be mounted at the rear of the aircraft's fuselage to reduce noise and vibration for the passengers.

The major engine makers disagree about the mechanics of the new type of engine. General Electric (U.S.) declares that no gear-box is needed in its Unducted Fan (UDF) Prop-fan engine.

But Rolls-Royce, Pratt & Whitney and Allison Division of General Motors, all of which are also involved in Prop-fan research, believe that a gear-box is essential for more efficient running as in all other kinds of gas turbine engine.

Strongest support for Prop-fan in the U.S.

The strongest supporters of the prop-fan are to be found in the United States, where the government-owned National Aeronautics and Space Administration has conducted an extensive $200m-plus programme, with the support of the aerospace industry, over several years.

This has now reached the stage where General Electric, one of the world's "big three" aero-engine builders, plans to run a demonstrator engine this August on its Peebles, Ohio, test-bed. GE calls its Prop-fan the Unducted Fan, or UDF, to differentiate it from others who are behind it in the race. The UDF is based on an F-404 fighter engine core (the hot part of a gas turbine engine), and is designed to yield up to 25,000 lbs thrust, enough to power a twin-engined 150-seat airliner for short-to-medium ranges.

GE thus appears to be ahead of its rivals, Pratt & Whitney and Allison, both of which are also engaged on Prop-fans. GE has now been joined by Snecma, the French state-owned engine group, which will have 35 per cent of the GE programme.

The two major U.S. airliner builders, Boeing and McDonnell Douglas (the latter in association with Aeritalia of Italy), are planning flight tests of the UDF from GE in 1986 and 1987, using a Boeing 727 and an MD-80 airliner. Flight tests of the Pratt & Whitney and Allison prop-fans will come later. Another U.S. company, Hamilton Standard, part of the United Technologies Group, is leading the U.S. efforts on the design of the Prop-fan blades. McDonnell Douglas has also linked with the Chinese Shanghai Aviation Industrial Corporation on Prop-fan development.

GE claimed categorically at the Paris Air Show that its early research had shown that its UDF would be able to meet the U.S. Federal Aviation Administration's aircraft noise rules. GE is so convinced it is on the right track that it is talking of offering both Boeing and McDonnell Douglas UDF engines for incorporation into new 150-seater airliners for service by 1992.

The possibility that UDF might be available so soon is a key reason why Boeing has decided not immediately to challenge the recently-launched European A-320 150-seat Airbus (which will use the new International Aero-Engines V-2500 jet engines) in world markets. Boeing argues that by waiting a little longer to produce a rival airliner design of its own, it will be able to incorporate not only UDF engines, but also many other advanced technologies. These include new composite materials and metals, and new electronic systems which would make its design so advanced that it would drive the A-320 out of world markets.

It is a gamble, but Boeing says that even if the UDF does not live up to GE's claims, and it is obliged to revert to jet engines for its new aircraft, it can adopt the V-2500 and still offer a better aircraft in world markets than the Airbus A-320.

Airbus is openly scornful. It acknowledges that Prop-fans, whether GE's UDF or others from Rolls-Royce and Pratt & Whitney, are on the way, and that undeniably they will have much to offer the airframe builders and the airlines—but not until the late 1990s.

Airbus argued openly at the Paris show that many of the claims for the Prop-fans are still hypothetical. It is studying them, and may well use them eventually in some future-generation airliner, but by then it believes that the existing A-320 will be so firmly established anyway that it could never be driven out of world markets by Boeing or any other manufacturer.

Both Rolls-Royce and Pratt & Whitney appear to support the Airbus view that a much longer development time-scale than that claimed by GE is inevitable.

GE says its UDF does not need a gearbox, thereby easing maintenance costs. But Rolls-Royce and Pratt & Whitney believe that gearboxes are essential, as on conventional turbo-propeller engines. They argue that gearboxes will mean even further savings on fuel consumption will be possible in the Prop-fans, leading to bigger savings in direct operating costs.

Rolls-Royce is especially critical of GE's claims of an in-service date of 1992. Mr Ralph Robins, Rolls-Royce's managing director, says his company's own research indicates that problems of noise and vibration may be much more difficult to solve than GE suggests, and that the later 1990s are more realistic. The company believes that a military, rather than a civil, aircraft is the likely first user.

Both Rolls-Royce and Pratt & Whitney have a big investment in the new V-2500 jet engine for the A-320 and other new airliners, an investment which they want to safeguard. So they believe that to introduce a rival power-plant into the market now would be highly damaging. It would be better to concentrate on getting Prop-fans onto the next generation of airliners after the A-320, rather than confuse the airlines and hurt V-2500 sales.

No airline wants to be the launch customer

Such considerations do not deter GE and Snecma, both of which are also currently in the 150-seater market with their joint CFM-56-5 engine, which directly rivals the V-2500. They claim that by offering both the CFM-56-5 and the UDF, they can get the best of all possible worlds in both civil and military markets.

This does not mean that Rolls-Royce and Pratt & Whitney are playing down the Prop-fan. Far from it. Although Rolls-Royce does not have the benefit of the big U.S. research programme, it is spending much of its own money on its own Prop-fan, which it called an Advanced Propeller, and believes that eventually it will have a device that will rival anything the U.S. can offer.

Moreover, as the world aero-engine industry forges new links to develop Prop-fans, a link between Rolls-Royce and Pratt & Whitney cannot be ruled out, although both say they have not yet discussed it. It is also possible that other European engine companies, such as Fiat Aviazione of Italy and MTU of West Germany, will try to join one or another of the big three to get some share of the action.

So far, the airlines themselves have shown a reluctance to become involved in the Prop-fan debate. They are all aware of what is going on, but say they must wait and see what the flight tests produce, and then what Boeing and McDonnell Douglas do, before committing themselves. No airline as yet wants to be the launch customer for the Prop-fan, and it is likely to take every ounce of Boeing's admittedly persuasive salesmanship to convince prospective customers that a new aircraft using GE's UDF is possible and desirable for the early 1990s, despite the undeniable attractions of big cuts in operating costs.

In the meantime, Airbus is exploiting the situation by arguing that Prop-fans, either UDFs or others, are such a long way off that airlines would be better advised to buy the A-320 now. With Pan American and Ansett already in the A-320 bag, other major airlines are likely to follow soon.

Although Boeing is still winning orders for its smaller 737-300, and McDonnell Douglas is also successful with its MD-80 series— their answers so far to the A-320—airline interest in the latter aircraft, with conventional turbo-fan jet engines, is growing. Many airlines believe that Boeing is taking too much of a risk in leaving it so late to launch its own rival to the A-320. Even McDonnell Douglas is offering the airlines a jet-powered MD-89 for delivery by 1989 in a bid to beat off A-320 competition.

If the GE Unducted Fan were to run into hidden snags, delaying it by so much as a year or two, Boeing would have to revert to jet engines (V-2500s or CFM-56-5s) and could miss the market tide, despite being able to offer an aircraft with advanced technology in other areas.

By the time of the Farnborough Air Show in September, in September, 1986, the Prop-fan flight test programme should be proving who is right or wrong. By the next Paris Air Show, in midsummer, 1987, Boeing and GE may well feel sufficiently confident formally to launch a new airliner using the UDF. If that happens, Airbus, and much of the rest of the industry could find themselves involved in one of the fiercest sales contests the world has yet seen.

Men and Matters

Room at the top, French-style

It was an historic day for L'Air Liquide, the large French industrial gasses group. It has a new chairman, only the third new chief executive of the company for 83 years.

But there will be no shake-up. The succession at L'Air Liquide has been carefully and long prepared. After running the company for 40 years, Jean Delorme will be handing over to his son-in-law, Edourd de Royere, vice-president. Delorme was the second chairman of the company, formed in 1902.

The company, described as France's first multinational, acquired worldwide footholds including the U.S. and Japan early in its history and has more plants abroad than any other French company. Under Delorme L'Air Liquide, run as discreetly as the Vatican, consolidated its international presence. Today it is involved in 55 countries.

Focussed on the industrial gas business but also in construction, chemicals, pharmaceuticals and welding, it has been a French success story. Sales are expected to total around FFr 20bn for 1984 and earnings could reach FFr 1bn or more.

Delorme is in the tradition of veteran French entrepreneurs like Marcel Dassault, the aerospace tycoon who is running again for parliament at the age of 93. Jean Mantelet ran Moulinex for 40 years to 1972 and is still chairman of the executive committee and other eternal managers include François Michelin, head of the French tyre group.

At L'Air Liquide, a company insider said: "We've had two chairmen since we were founded and some people think that's already too much."

Fever in the City

The elections at the Stock Exchange for places on the council will provide excitement for the second year. Last year a rebel broker, Jeremy Lewis, beat Sir Nicholas Goodison into second place. Yesterday Lewis was forced to resign from the council over his stand on the constitutional reform. He immediately slapped in his nomination papers and is running again.

Another runner is Andrew Hugh Smith, a more establishment figure who is senior partner of brokers Capel-Cure Myers. Last year he failed to gain a place in unfortunate circumstances. He tied in the poll with Nicholas Assheton of Montagu Loebl Stanley. Under the rules the scrutineers had to draw lots. It was all highly secretive. "I don't know whether they spin a coin or break matches," Hugh Smith said yesterday.

In any event, Hugh Smith lost. There is some justice, however, and the main who beat him in that controversial tie-breaker has to run again in this year's elections. Place your bets.

Moving west

From across the Atlantic comes intriguing news about David Plastow, Vickers' chief executive. He has accepted an invitation to join the board of Tenneco, the Houston-based conglomerate which counts itself among the top 20 U.S. companies.

Tenneco is a far-flung 1960s-style conglomerate whose interests cover date-growing in California, operating a gas pipeline from the Gulf of Mexico to New England and building ships in Virginia for the nuclear navy. In recent months, like almost every other U.S. energy group, it has been singled out as a possible take-over target—which may explain the approach to Plastow.

The Vickers chief is joined on the Tenneco board by Michael Blumenthal, former U.S. Treasury Secretary and chief executive of Burroughs, the computer multinational. The non-executive appointments should strengthen the Houston team which has been increasingly on guard against sharks and greenmailers.

Plastow has spent five hard years rationalising Vickers into fice core businesses covering among other areas marine engineering, military tank and Rolls-Royce car manufacturing —maybe he is seeking a fresh challenge.

Golden oldies

Charting the price of a gold sovereign against the cost of a set dinner at London's Savoy Hotel gives food for thought; Julian Baring, a partner of James Capel and Co pointed out at the FT Gold Conference in Lugano. In 1914, the last time a pound note could be exchanged for a sovereign, the cost of a Savoy dinner was today's equivalent of 30p. At that time 3.3 people could have dined on a sovereign.

Baring has worked out the number of people who could have eaten at the Savoy during the 1974-84 decade. No prize for guessing—the average over the period was 3.3.

This year the Savoy is charging £21.00 for its set menu. The price of a sovereign is £59.40 so only 2.4 people could afford to dine on it. In terms of dinner at the Savoy, Baring suggests gold is 16 per cent too cheap, which should encourage the bulls.

Novel politics

The publicity-conscious Labour borough council in Scunthorpe — which has already given us such gems as a breakaway Shakespeare festival to rival Stratford-upon-Avon, and guided tours round its crematorium—is at it again.

This time it is entering the world of fiction good and proper, by stumping up £7,000 *to publish a new novel by* a local author.

Stephen Benatar's "Such Men are Dangerous" — his fourth novel—is said to show the steel town in a good light. And the chairman of the leisure and arts committee, Michael Tierney, says he believes that local authorities have a duty to support local artists as, "a mark of a civilised society."

Not everyone agrees with him. Lawrie Chapman, a college lecturer and member of the council's Conservative opposition, argues the council could be flooded out as townspeople with time on their hands (the result of steel redundancies) pen their memoirs.

Neither do Benatar's previous publishers, The *Bodley Head*, agree with Tierney's assessment that the novel will be a "good investment" for Scunthorpe. They say they have rejected it.

Unperturbed, Tierney says "It will be a marvellous publicity boost for the town."

Separate ways

From the U.S. comes this updated version of the traditional fairy tale ending: "And they lived happily ever after—he in New York, she in California."

Observer

UK DRUGS INDUSTRY

A bitter pill to swallow

By Tony Jackson

AN UNHOLY ROW is going on between the drug industry and the British Government. Latest attempts by the Government to control its drugs bill have been greeted with howls of anguish.

The industry has cried wolf in the past. But this time, it insists with a new vehemence, the Government has gone too far.

Certainly, the climate has changed in the past couple of years. In controlling the profitability of drug companies, the NHS uses as its yardstick return on capital. Until August 1983, the return on capital allowed for an individual company had a ceiling of 25 per cent. Then the figure was cut to 21 per cent. Now, the range is 15-17 per cent.

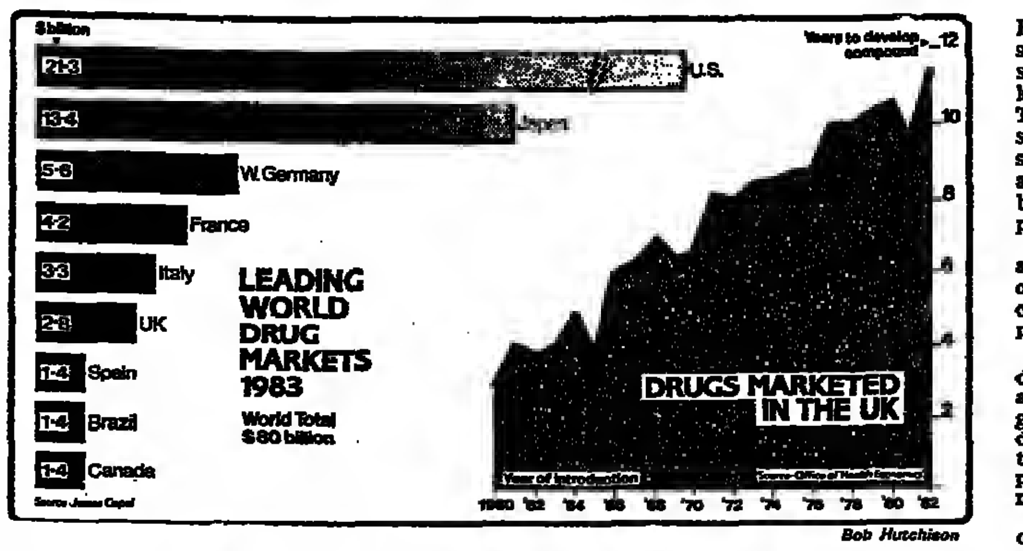
Last month's introduction of a limited list—whereby certain branded drugs are banned from NHS prescription — has relatively little impact on British companies. Beecham has lost £6m in sales, and stockbrokers de Zoete and Bevan put the sales loss to Glaxo at £8m and to ICI at a mere £150,000.

But for foreign companies it is a different matter. The industry is convinced that the limited list deliberately discriminates against companies based outside the UK. The hardest-hit, Swiss group Hoffmann-La Roche, stands to lose three-quarters of its UK sales.

Moreover, the move introduces a note of uncertainty into an industry whose lead times on new products regularly stretch 10 or 12 years into the future. Mr Bill Duncan, deputy chairman of ICI's pharmaceuticals division, says: "In this business, the one thing I need is stability. You accept uncertainty on whether research will pay off. But what is intolerable is the added uncertainty of the rules changing all the time."

Some overseas drug companies are already talking about reviewing their UK expansion plans. Among U.S. companies alone, Upjohn is claimed to have cancelled plans for a £36m investment in new research laboratories in the UK, and Wyeth to have cancelled expansion plans worth £30m.

Other foreign companies — Merck and Searle, for example — have just opened large new research establishments in the UK. But these projects were all started several years ago, before the going got "rough." If damage has been done by the latest measures, it will take years to show through. By then, as the industry remarks bitterly, Government Ministers Norman Fowler and Kenneth Clarke will have moved on to fresh pastures, and no one will remember whose fault it was.



Bob Hutchison

Yet the industry's complaints should not be taken at face value. Like defence contractors, drug companies are in an ambiguous position — belonging to the private sector, but with prices and profits controlled by the Government. This leads to genuine difficulty in establishing what their profits ought to be.

The Government scheme under which drug prices are controlled states only that the return to companies should be "fair and reasonable." As the Government itself admits, the phrase is so vague as to be meaningless. The complexities of the system actually give the Government considerable latitude in determining an individual company's returns, and hence, if called for, in reducing them. And however much the companies may be complaining now, they certainly had a bonanza in the days before 1983.

At that time, it will be recalled, the return on capital was up to 25 per cent—generous indeed compared with the rest of British industry in the trough of the recession. Now the tables have been turned. Effective returns on NHS sales now seem to be as low as 12-14 per cent, whereas the average return on capital for British industry in last year's upswing, according to stockbrokers Phillips & Drew, was a remarkable 20 per cent.

The comparison, though, throws up further problems. The drug industry insists that it needs high profits to fund the risky business of research. The costs of research, and the attendant risks, have certainly risen sharply, particularly in the wake of the thalidomide disaster. To develop a new drug now costs upwards of £50m, and may take 15 years — with the possibility of failure at any stage in the process.

But the return on capital granted by the Government through its pricing system is calculated *after* the cost of R & D. Drug research may be a poker game, but it is largely the taxpayer who pays for the chips.

The UK plays an important role in the world of drug research. Although Britain accounts for less than 4 per cent of the world market for drugs, UK drug research amounts to around 11 per cent of the world total.

This is partly a tribute to the country's scientific status. But it certainly also reflects the highly profitable nature of the old NHS regime.

Some countries — Canada being the classic example—pursued cheap drug policies with great zeal in the 1970s. In Canada's case, the result was a general exodus by the international drug companies, and a virtual end to domestic drug research. At the same time, there was a rapid worsening in Canada's pharmaceutical balance of trade. In 1975 Canada of paying a net $122m for drug imports; by 1979 the figure had risen to $213m.

In the UK, by contrast, the balance of trade in pharmaceuticals has been positive and growing—last year, the net export figures was £680m, more than a third of the whole chemicals trade balance of £1.9bn.

Britain is uncommonly good at drug research. Of the dozen top-selling prescription drugs in the world today, no fewer than six were discovered in the UK. Indeed, the top two — Smith Kline's Tagamet and ICI's Inderal — were discovered by the same man, Sir James Black.

Britain's scientists are not only good, they are cheap. Pharmaceutical research relies a good deal on pure scientists. Perhaps because of the traditional distaste for vocational training in UK universities, there is something of a glut of British pure scientists. And they are paid accordingly.

The high international reputation of the British Medical profession is also of immense importance to the drug industry. Hospital trials on a drug's efficacy and safety, reports in prestige journals such as the British Medical Journal and the Lancet, and official clearance by the UK authorities carry weight in a number of less sophisticated markets, and hasten the process of registration around the world.

This is an aspect to be balanced against the question of UK profit levels.

There is another twist to the argument. The Department of Health, like its counterparts in several European countries, is starting to grumble about the kind of research it is paying for. Too much taxpayer's money, says the Department, is being spent on "me-too" products, and not enough on searching for breakthroughs in new therapeutic areas.

If a company comes out with a highly successful new drug, other companies try to get in on the act by breaking the patent.

The drug companies do not deny that this happens, but argue the case differently. The great bulk of research, they say does not proceed by big breakthroughs—as in the case of penicillin, say—but by incremental steps.

A more fundamental criticism of the industry's research methods is made by Dr Max Perutz, Nobel prize winner and researcher with the Medical Research Council. "The easy way to get money for research is to base it on specific goals," he says. "But experience has shown that it is often fundamental research on an unconnected question which gives the breakthroughs."

Industry researchers respectfully disagree. Bill Duncan says "30 years ago, that was how it was at ICI. We had plenty of money for blue-sky research and it was marvellous. But given the way the costs of research have soared, the best we can now afford for that kind of thing is 10 per cent of our budget."

But Dr Perutz has another point. Too much effort, he says, still goes into old-style "molecular roulette," the empirical process of creating new compounds by the tens of thousands and testing them for effect.

"I find U.S. drug firms much more enterprising than the Europeans," he says.

This strikes a depressingly familiar note. In the wider field of the chemicals industry, the developments of the future—composite materials, advanced ceramics and biotechnology generally—are largely in the hands of the U.S. and Japan, with Europe lagging in the rear.

The pharmaceuticals industry, in the UK and in Europe, is at present highly successful. But if Dr Perutz is right, and the industry is similarly lagging in future developments, the present arguments over profit levels in the UK industry are parochial indeed.

National Insurance

One way to reduce UK unemployment

By P. E. Hart

IF AGGREGATE demand could be expanded without generating large increases in money wages, prices and imports, then the current level of unemployment could be reduced dramatically. To avoid such a dissipation of an increase in aggregate demand we need some form of international co-operation between governments and some sort of political consensus between employers, unions and the Government at home. Unfortunately, the outlook for co-operation and consensus seems rather bleak at the moment.

In these circumstances, what can be done to reduce our high level of unemployment? The answer is that there are many modifications to the details of existing Government policies which would reduce unemployment, without violating its self-imposed constraints on public sector borrowing and taxation. These adjustments might not restore full employment, but they would significantly decrease unemployment.

The kind of detailed modification required may be illustrated by measures to reverse the enormous increase in youth unemployment from 1 per cent in the 1950s to over 25 per cent in the 1980s. Part of the increase occurred because of the full-time jobs formerly done by young people are now done by married women part-time workers: the latter increased from 12 per cent of total female employment in the 1950s to over 41 per cent in the 1980s. Can this substitution of part-time for full-time jobs be reversed?

It will not be easy to do this because more and more firms, particularly in the distributive trades, are hiring part-time labour to meet changing flows of business. Indeed, if all the shops are to be allowed to open on Sunday, part-time employment is likely to be increased still further at the expense of full-time jobs.

However, other industrialised countries do not usually have Britain's high levels of part-time employment. There are good reasons for believing that our system of national insurance contributions and income tax encourages part-time work with the result that part-time jobs done by married women in the UK are done by young, full-time workers in other countries. How can these side-effects of national insurance and income tax be removed?

Again this is not easy, but a first step would be to substitute a simple payroll tax for employers' national insurance contributions (NIC). That is, each employer would pay a tax of about 7 per cent of its annual payroll instead of paying national insurance contributions for each employee each week. This would yield the same sum as employees' NIC, but costs of administration would be reduced substantially because only one percentage need be calculated each year from the figure for total wages and salaries appearing in his annual accounts. There would be no need to bother with separate payments for each employee calculated on his or her earnings.

> Other industrialised countries do not usually have Britain's high levels of part-time employment

Some people might claim that the graduated employers' NIC favouring the lower paid in the 1985 Budget will encourage employment of more young people rather than more expensive adults. However, the competitors of young people are not adults in full-time jobs earning over £130 per week (when the full employers' NIC rate is payable) but married women part-time workers, particularly those earning less than £35.50 a week, when neither employers' nor employees' NIC is payable. The 1985 Budget did nothing to alter the fact that it is cheaper for an employer to hire two half-time workers at £35 per week than one full-time young person at £70 per week. It could have been a better Budget for jobs.

Removing this cost disadvantage of employing young people would reduce registered unemployment: the part-time workers likely to be displaced would not register as unemployed. The reduction in the household incomes of such married women part-time workers would be mitigated by the second modification of existing taxation policy, namely the introduction of one transferable personal tax allowance for all single or married people, instead of the married man's earned income allowance and the single person's allowance.

The most tax efficient way now for a household to increase its income is for a wife to take a part-time job and earn just below £2,205 a year when no income tax will be paid on this extra income. Such an incentive to increase the supply of labour from married women cannot be justified in times of heavy unemployment.

Giving this allowance to everyone, and allowing an unused allowance to be transferred to the spouse, would formally recognise that the unpaid work of housewives is very important: even if it does not appear in the national income accounts, it should nevertheless attract an allowance against income tax.

The abolition of the married man's earned income allowance would more than pay for this step. In fact there would be a substantial sum (estimated at about £464m in 1983) left for the Chancellor to distribute in the form of increased child benefits, for example, which would further reduce the supply of married women to the labour market and hence improve the prospects for the employment of young people.

Such changes in taxation are consistent with present Government policy and would reduce unemployment. Moreover, there are many other detailed adjustments which would lower unemployment, such as schemes to reduce overtime, to encourage more semi-retirement, to improve the geographic mobility of labour, to reduce the mismatch between skills demanded and supplied, to decrease voluntary unemployment and to lower the tax [illegible] allowances which encourage excessive substitution of capital for labour.

The author is Professor (Emeritus) of Economics at the University of Reading and a freelance economics consultant.

Letters to the Editor

The threshold trap

From Professor D. Collard

Sir,—Mr Fowler's proposal to assess benefits on net rather than gross income is a clever one, but I wonder if it is quite clever enough?

As in other parts of the Green Paper no details of the calculations are given but an obvious difficulty appears to arise over the treatment of tax allowances in benefit entitlements. Has the Government unwittingly devised a new "threshold trap"? It is quite true that under the proposals, the effective tax rate can never exceed 100 per cent as long as the benefit withdrawal rate also never exceeds 100 per cent. This is because the beneficiary/tax payer faces an effective tax rate equal to the benefit withdrawal rate plus the marginal tax rate minus the product of the two (for example a withdrawal rate of 50 per cent and a tax rate of 30 per cent would lead to on effective marginal rate not of 80 per cent, as at present, but of 65 per cent). But when tax allowances are increased—and the Government is keen on increasing thresholds to help the low paid—the beneficiary/tax payer gains substantially *less* than other tax payers.

Using the illustrative figures, if the tax allowance increases by £100 the tax payer is £30 better off while the beneficiary/tax payer is only £15 better off. The bigger the withdrawal rate the smaller the gain. An obvious way out would be simultaneously to announce increases in benefits equal to the difference. This would, however, be formally equivalent to ignoring tax allowances in the gross/net adjustments for benefit calculation, something which presumably the Government would not wish to do. May we now add the threshold trap to our old friends the poverty trap and the unemployment trap?

(Professor) David Collard,
University of Bath,
Claverton Down,
Bath.

Equality in pensions

From Mr R. Rice

Sir,—I was delighted to read (June 5) that Mr Norman Fowler has decided to impose equal opportunities for the sexes in the field of pensions, by requiring assurance companies to quote the same annuity rates for men and women.

Can we hope that he will also have the courage to require the Almighty to provide equal opportunities for men and women in terms of life expectancy? If this should be beyond his powers, perhaps, at least, he can lower the official retirement age for men so that we may have an equal period of retirement to that enjoyed by women.

R. K. Rice,
Th Old Vicarage,
Wadhurst, Sussex

Wrong three times

From the Director,
Employment Affairs,
Confederation of British Industry

Sir,—For the third time in a published letter Chris Pond (June 5) of the Low Pay Unit has misrepresented the CBI position on wages councils. For the third time, may I confirm to him that the CBI is *not* opposed to the abolition of wages councils.

Richard Price,
103 New Oxford Street, WC1.

Rate-cutting and Lloyd's

From Mr M. Roddick

Sir,—It is clear from most of the correspondence from complainants and the media in general that they have not comprehended that Lloyd's is not a company but a market.

It should be anticipated by names on a new syndicate that the first one or two years may indeed is likely, to produce a loss particularly when underwriting conditions are difficult, as they have been for almost a decade. In a well-established syndicate, however, a large loss or series of losses is due to accepting business at premiums too low for most of its competitors to contemplate. This means a large loss of business to the irresponsible at the expense of those who are trying to maintain a more stable market, resulting in substantial profits being paid out to names for several years by the guilty until nemesis catches up with them, all to the prejudice of the prudent.

Is it now suggested seriously that, having suffered the rate-cutters for many years, they should now hand over their more meagre profits to bail out the imprudent in what promise to be (hopefully) more favourable underwriting years? If so I think it likely that I would not be the only member to hand in his resignation to the committee of Lloyd's and rightly so.

It should be clearly understood that in private enterprise (is there one of more enterprise than Lloyd's?) there always will be losses large and small, but if a Fairy Godmother is expected when the profits turn to losses do not become an underwriting member of Lloyd's. Nevertheless, after almost 48 years as an active member in the market I know of no better investment in the long term and in moderation.

M. J. Roddick,
Greenmantle, Woodhouse Lane,
Holmbury-St-Mary,
Nr Dorking, Surrey.

Legal data services

From the Chairman and
Chief Executive,
Butterworth Group

Sir,—Your despatch headed "Legal data service closed after takeover" by Alan Cana (June 7) contained substantial inaccuracies.

The Butterworth Lexis database is British-owned, belonging to Butterworth, this country's oldest and leading legal publisher, which is a subsidiary of Reed International. The Eurolex business, until purchased by Butterworth, was Canadian-owned, belonging to International Thomson.

Butterworth uses the Lexis computer and software located in Dayton, Ohio, under an arrangement with Mead Data Central. Lexis is the leading legal information retrieval system in the United States. Eurolex has used a computer belonging to Datasolve, a subsidiary of Thorn-EMI, and a British software system called Status.

Butterworth did not buy Eurolex to close it down, but to rescue it, purchasing it after International Thomson had offered it unsuccessfully to a number of other parties. All of the services offered by Eurolex will continue to be offered by Butterworth to Eurolex subscribers. The costs of the two systems are comparable. Eurolex, which your correspondent claimed to be "often significantly cheaper," costs less only to subscribers who do not use it extensively.

We are trying very hard to find jobs for Eurolex employees, not only in Butterworth Telepublishing, which runs our Lexis database, but in other Butterworth companies.

The Butterworth database is not, and does not wish to be, a monopoly. Most of the material in it is from our own publications and most of the rest is licensed non-exclusively. We have welcomed Eurolex's competition over the past five years and regret that it has not been as successful as it had hoped.

We were concerned that the Office of Fair Trading would consider our purchase a monopolistic move and fully cleared it, in the presence of Thomson executives, with the OFT. We have checked with the OFT, and it has confirmed to us that it has no intention of re-opening investigations into the takeover as Mr Cane erroneously reported.

Eurolex is not, and never has been, "the UK's leading British-owned computerised legal information service." That describes the Butterworth Lexis database.

W. Gordon Graham,
Borough Green,
Sevenoaks, Kent.

Stock Exchange reform

From Mr T. Ahern

Sir,—I am surprised that those members who voted against the second resolution at the Stock Exchange EGM on Wednesday are described in Saturday's FT leader as "Luddites."

I voted against this resolution on the grounds that I stated at the meeting. Radical Bills which are presented in Parliament are rarely passed without certain amendments. It is understood that one of the major causes for concern, namely the question of members without liability trading alongside members with unlimited liability will now be sorted out. This will entail partnerships becoming limited corporate members. The capital necessary for small firms to do this will be relatively small.

As the resolution stands, there is no differentiation between the value of membership in perpetuity (i.e., the ongoing membership of a large public limited company, such as a bank) and the lifetime membership of the individual member.

There are anomalies in the share scheme. The proposed number of Stock Exchange shares to be purchased by new entrants are not consistent in relation to their size. Most firms who have sold out their businesses have sold "cum membership" meaning that the entrants will have no need to purchase further shares.

There are also doubts and uncertainties concerning the marketing of the new shares. The likely supply and demand for these in the future could reflect a value considerably less than some optimistic forecasts that have recently been made in the Press.

At the first AGM which took place, in 1981, after it was known that the Government was pursuing a case against the Stock Exchange in the Restrictive Practices Court, I stated, that the Stock Exchange had no case, and should cease spending money on legal expenses defending it. Despite this warning, the Stock Exchange council continued to prepare a defence for the case, spending £1.5m in the process.

T. S. Ahern,
Walker, Crips, Weddle, Beck and Co.,
152-160, City Road, EC1.

FINANCIAL TIMES
Wednesday June 12 1985

Merrill Lynch and UK gilts jobber in talks

By John Moore in London

MERRILL LYNCH, one of the largest U.S. securities groups, is forging a link with A. B. Giles & Cresswell, one of six jobbers or market and makers trading in British government securities on the London Stock Exchange.

In a brief statement last night, both sides confirmed that they are holding discussions concerning the acquisition by Merrill of an initial 29.9 per cent stake in the market-maker.

Mr Stanislas Yassukovich, chairman of Merrill Lynch Europe, said in London last night: "The acquisition is part of a continuous strategy to prepare Merrill Lynch for strong participation in the liberalised London financial markets."

Merrill Lynch, the first U.S. investment group to acquire a London jobber, is one of 31 applicants for places as primary dealers in the restructured market in British government securities – the gilt-edged market.

Until yesterday's announcement, Merrill had remained aloof from the current round of link-ups between overseas securities houses and London-based brokers and market-makers. Its most ambitious move in the London securities market to date had been to recruit a senior gilt-edged dealer from leading London market-maker, Wedd Durlacher Mordaunt, to set up their primary dealership operations in London.

Merrill Lynch is expected to move to full control of the jobber once stock exchange rules are finally relaxed next April. No price has been disclosed in the deal.

The latest deal means that most, if not all, the independent gilt-edged dealers in Britain have forged links with other firms.

Phillips & Drew, which is to merge with the Union Bank of Switzerland, recently announced its intention to acquire Moulsdale, a market-maker in British government stocks. Akroyd & Smithers, one of the largest of the jobbers, is merging with Mercury International, which is creating a large British investment banking group.

Labour 'would want say in UK company plans'

BY PHILIP BASSETT, LABOUR CORRESPONDENT, IN LONDON

BRITAIN'S leading companies would have to negotiate individual corporate development plans with a future Labour Party government, according to far-reaching joint Labour-Trades Union Congress proposals to be considered by union leaders today.

The confidential document to be examined today by the TUC's economic committee has as its aim to "set the political agenda for the next election." The election must be held by June 1988 at the latest.

It is the final version of a lengthy exercise between the TUC and the Labour Party to reach a new compact that will form the cornerstone of Labour's electoral platform.

However, it has been substantially modified, principally because of searching criticisms of it by Mr Tony Benn, the Labour left-winger even though his attacks were rebutted by Mr Neil Kinnock, the party leader.

The new version, which is likely to be approved as policy at the end of the month by the TUC and Labour national executives, is much more open about proposed economic planning arrangements, insisting that development plans will have to be agreed with a "wide range of leading companies."

Although the document makes no specific reference about which companies, or how many, some senior Labour figures are suggesting privately that the top 200 UK companies would be affected.

The TUC-Labour plan makes clear that the negotiations would include union representation as well as management and government, and suggests that matters such as access to credit, state aid, trade policy and support for innovation will all depend on the negotiations approving individual company plans.

It states: "Our aim is to make sure that our strategy for recovery is translated into action – to see that companies, both public and private, match up to their responsibilities for helping us strengthen the British economy."

The document, which has already been approved by Labour's home policy committee, goes further by saying: "We will also ensure that the pricing policy of companies can be justified by reference to their efficiency and market conditions."

That reversion to the idea of planning agreements, although on an individual company basis, is coupled with a warning that a Labour government might have to intervene in certain industrial sectors to curb import growth and the degree of import penetration.

In return, it makes two specific pledges in employment areas, as well as proposing a wide range of initiatives on investment, regional policy and local government:

- The repeal of the Conservative Government's "divisive" labour legislation, and its replacement by legislation that would include employees' rights to informatioin, consultation and representation.
- A job for every young person at the end of a high-quality, two-year programme of education and training, provided by "sufficient resources and backing" for the Manpower Services Commission.

Significantly, the document barely mentions the TUC, concentrating instead on Labour's relations with ordinary working people, at local level.

It touches in imprecise terms on the thorny question of pay, accepting the need to deal with issues of unemployment inflation and the distribution of income although it makes no specific proposals other than to "reject the Government's policy of holding down wages."

Socialist union accuses Paris of employment policy 'failure'

BY DAVID HOUSEGO IN PARIS

FRANCE'S Socialist Government yesterday came under harsh criticism over its employment policies from the union normally most sympathetic to its cause.

M Edmond Maire, leader of the pro-Socialist CFDT, said that in employment terms the Government's policies were a "serious, resounding failure."

Speaking at the union's three-yearly congress at Bordeaux, he described them as giving little hope of job creation and said that what was needed were policies that would restore dynamism and reduce social inequalities.

He contrasted a level of unemployment that was sapping the cohesion of society with the fortunes being made on the bourse by the current boom in French share prices and declared that the Government had "fallen back on a policy of short-term management."

M Maire's unexpectedly strong statement comes at a time when the Government is trying to persuade the electorate that there is no alternative to its anti-inflationary policies but that it is trying to relieve unemployment through training and community work programmes.

In opening an important congress that will determine future union policy on such a note, M Maire was giving vent to the disenchantment of his own rank and file while trying to prevent them from reverting to orthodox militant unionism.

M Maire is the most thoughtful of the French union leaders, and has long tried to steer his membership towards adapting to technological change in industry. But during the past three years the CFDT has lost ground in the French union movement at a time when all the unions have been losing members.

In elections to the social security administrations in 1983 – the main test of unions' comparative strength – the CFDT slipped back from second to third place behind the Communist-led CGT union and the orthodox Force Ouvrière.

M Maire suffered a further setback in December last year when his rank and file rejected agreements he had negotiated with the employers over more flexible working hours and working practices. For a while it seemed that M Maire's own leadership of the CFDT was under threat.

Harveys in Spanish bid for leading sherry role

By Tom Burns in Madrid and Lisa Wood in London

HARVEYS of Bristol, the UK's Allied Lyons sherry and port subsidiary, appears set to become the world's leading sherry shipper with what it describes as a "substantial bid" for two Spanish sherry and brandy companies that belonged to the Rumasa group.

The offer for the two companies, Terry and Palomino y Vergara, has been accepted by the Patrimonio Nacional, the Spanish government agency charged with the disposal of the Rumasa companies after the expropriation of the holding in 1983. The bid now has to be formally endorsed by the Spanish Cabinet which is to meet next week.

Mr David Beatty, managing director of Harveys, which holds 15 per cent of the international sherry market and 27 per cent in the UK, yesterday declined to comment on the details of the bid. "We have put in a substantial bid and we will not know the results until June 18 or 19," he said. "It would be foolish to presume anything at this stage."

The bid from Harveys, whose best-known brand is Bristol Cream, came in a final round of bargaining over the sale of Rumasa's sherry division. Madrid officials said yesterday that Harveys had outbid Seagram, the Canadian drinks group that owns Sandeman, the sherry producer.

Details of the acquisition were not disclosed, but Madrid officials said the Harvey bid was Pta 500m ($2.84m) higher than the rival offer by Seagram. Harveys also undertook to add a new bottling plant to the Terry company.

Terry, which has a current annual turnover of Pta 7bn, is understood to be one of the most desirable of the Rumasa sherry properties. Palomino y Vergara has a current turnover of Pta 600m.

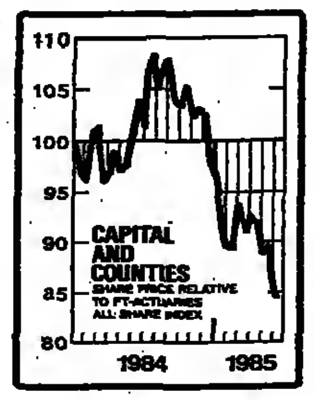
A spokesman for the Sherry Exporters' Association in Spain said Harveys' double acquisition was now likely to put the company ahead of rival producers Domecq and González Byass.

Rumasa, at the time of the expropriation, owned a total of 19 sherry producers, and the holding's sherry division represented a third of the sherry trade's exports. The 19 producers were streamlined into six companies by the Patrimonio Nacional and offered to the highest bidders.

Spanish officials said the Garvey Company, which owns the top-selling Spanish brandy Esplendido had been sold to the West German group Coop A.G., which has already acquired Mantequerías Leonesas, a former Rumasa company. Leaving aside Williams and Humbert, which are the subject of litigation, the two remaining former Rumasa sherry companies, Diez-Merito and Bodegas Internacionales, have been acquired by Sr Marcos Eguizabal, who has extensive interests in intensive early-season farming.

THE LEX COLUMN

Putting Nigeria under wraps



It is convenient to say the least, for Metal Box to take its Nigerian subsidiaries out of the reckoning in the year when those companies swing from a £9.6m profit to an £8.6m loss. With the accountants' blessing, the two companies, where Metal Box has 50 per cent-plus stakes, have been deconsolidated on the argument that changes in Nigerian Government import policies mean the parent can no longer exercise management control.

What has actually changed in Nigeria is not the degree of Metal Box's control – which was limited anyway in the central matter of remitting dividends – but external economic circumstances. The decision smacks of a reluctance to take the rough with the smooth in a volatile country, where if the risks are high, so, at times, are the rewards. Moreover, if Nigeria is taken as a special case, what price elsewhere in Africa or in Latin America?

Nigeria apart, Metal Box has revealed a strong performance for the year to the end of March, which put the shares up 30p to 433p. Admittedly, pre-tax profits are down from £70.1m to £68.1m, but this drop is largely explained by a change in the year ends of the Italian and Greek companies and by the sale of a majority stake in South African operations.

The biggest improvement has come in UK packaging, where profits rose 44 per cent to £40.2m, following wholesale rationalisation and investment programmes. In the U.S., dollar profits have marked time because the California can factory was being retooled, but there are good hopes for 1985-86 now the work is complete. Moreover, Metal Box plans further expansion in the U.S., probably by acquisition, funded by the now highly-cash-generative UK businesses.

Given these promising signs – Nigerian deconsolidation aside – Metal Box's discount to the market still looms large. Assuming current-year profits of £75m pre-tax and a 25 per cent tax charge the multiple is just six.

Capital & Counties

Yesterday's bid by TransAtlantic Insurance for Capital & Counties scarcely fell into the take-it-or-leave-it category; please leave it was the rough gist of the offeror's message. Certainly there was nothing in the terms to provoke a stampede of acceptances. Having raised its holding above 30 per cent, TAI was obliged to make a full bid and did so at the minimum permissible price.

Yet it may be that TAI's relaxed approach simply reflects the strength of its hand. It has 34.5 per cent already and can increase its effective holding at any time by picking up convertible loan stock. The offer of 225p per share is no knockout but it is roughly equivalent to the after-tax break-up value and represents a discount of only 12.7 per cent to fully-diluted net asset value. C & C might be able to lift that value a little but probably not enough to leave the TAI offer trailing by more than the average sector discount of 25 per cent.

There is no reason to doubt Liberty Life, TAI's parent, when it says that it would prefer to keep a substantial quoted minority in C & C. But majority control would at least give the South African group a quoted vehicle with which to mount a more serious assault on its long-term quarry, Sun Life. Either way, there is no point in accepting just yet.

Argyll

In the past 12 months, most City misgivings about Argyll have vanished and the share price has more than doubled. Gone is the Meccano-bolted structure of second-rank food retailing properties unlikely to grow except through paper-pushing acquisitions; in comes a group with a coherent strategy which deserves no discount to any but the giants of the sector.

Yesterday's preliminary statement was confirmation of respectability – as much for its epic chairman's statement and three-year plan as for the 33 per cent increase in taxable profit. The only jarring note was a £10m net item charged below the line for costs and provisions associated with warehousing and with changing the names of shops. Motorway distribution centres may cut the stock turn to a fortnight, while trimming down to a mere two major chains should help the customer identify with the group; but these are scarcely the fundamental alterations in the business implied by this form of accounting.

The share price had better things to do than pause over such details, gaining 12p to 320p as estimates for the year were increased. With net margins still under 3 per cent, there is obviously more to do at Presto while the £10m shaken out of working capital last year shows that the group has no intention of going soft on suppliers. But the U.S. drinks business actually showed a fall in dollar-denominated profits and is unlikely to do much better until Argyll can shift its portfolio towards more fashionable drinks.

Guinness

The Arthur Guiness of old could always be relied upon for a few surprises on results day, but unpredictability and eccentricity have now gone the way of poor Arthur. Plain Guinness plc is the very model of reliability. Yesterday's results for the half year to March were marginally above most City expectations and a 20 per cent rise in profits before tax to £37.2m was enough to lift the share price 2p to 280p. But, beyond evidence of impressive post-acquisition management at Martin the Newsagent, there was nothing exactly surprising.

The solid image which Guinness has so successfully nurtured could soon be put to the test. There is no doubting the management's appetite for a substantial acquisition to balance the dominant brewing interests and there is no longer much financial impediment. The group's shares are the most highly rated in the sector – full-year profits of £84m pre-tax would give a p/e of over 11 – and the restructured brewing division should soon be cash positive.

Finding something to buy may not be so easy. It is unlikely that, in the UK at least, Guinness could make an acquisition in the health business big enough to affect the balance of the group while, for all the success with Martin, Guinness will find the retailing scene crowded with potential counter-bidde.

Liberty Life bids for UK property group

By Martin Dickson in London

LIBERTY LIFE Association, one of South Africa's leading life assurance companies, yesterday launched a £173m ($218m) takeover bid for Capital & Counties, a large British property company.

Liberty said, however, that its bid had been prompted purely by the technicalities of Britain's takeover code and that it did not necessarily want to take control of the company.

Capital, for its part, urged shareholders to reject the offer, which "does not reflect the present value and future prospects of the company."

Liberty is making the offer through its 75 per cent-owned subsidiary TransAtlantic Insurance Holdings, which has held a 29.7 per cent stake in Capital for several years. Yesterday, TransAtlantic bought a further 4.8 per cent from the British Rail pension fund, taking its stake above the 30 per cent level, which automatically triggers a full bid under the takeover code.

It is offering shareholders 225p a share in cash, the same price it paid for its 4.8 per cent block. That compared with Capital's closing price last night of 223p ex dividend, up 28p on the day, and the company's fully diluted net asset value per share of 258p. The bid places a value of £173m on its entire ordinary share capital.

TransAtlantic, formed in 1980 by Liberty Life, is an unquoted UK investment holding company

Lex, Page 18; Details, Page 23

U.S. heads for new budget row

BY NANCY DUNNE IN WASHINGTON

A CONGRESSIONAL conference committee began the gruelling job of fashioning a 1986 U.S. budget yesterday amid gloomy predictions that compromise may be impossible and new evidence of economic slowdown.

With Mr Tip O'Neill, Speaker of the House of Representatives, insisting that the House would not go along with the Senate's proposed cuts in social security, Senate leaders were citing new pessimistic projections for the U.S. economy and calling for new cuts in total spending beyond those already achieved.

On Monday Mr David Stockman, the Budget Director, said the sluggish pace of the economy would boost the budget deficit above $175bn in 1988 even if the cuts approved by the Senate were passed.

Yesterday the Commerce Department reduced its previous forecast of capital spending by U.S. business this year. Instead of rising 7.3 per cent over last year, capital expenditure would rise only 6.2 per cent, against 15 per cent in 1984, the department said. Some economists said that that was an ominous sign that business was losing confidence in the future.

Reducing the budget deficit is considered vital to business confidence, but as the economy loses momentum, the task of the conference committee grows increasingly difficult.

For 1986 the House has approved $3.8bn more than the Senate in programmes for the poor. Senate negotiators are likely to go after such schemes if the House will not yield on social security. House leaders are expected to demand a 1986 freeze in military spending, which gives no allowance for inflation.

Mr Robert Dole, leader of the Senate's Republican majority, has thrown a new proposal on the bargaining table. He would raise $8.3bn in revenues by applying social security taxes to state and municipal employees.

With the two sides so far apart on the means of cutting $56bn for next year, observers doubt that they can squeeze out the further reductions that Mr Stockman wants.

Farm ministers face deadline

Continued from Page 1

that the cereals price issue should not be forced onto the agenda of the heads of governments summit scheduled for Milan later this month.

If a vote is held and fails to achieve the required qualified majority, the cereals problem will remain unresolved. That means that either the Farm Council will have to meet once again before Milan or that the issue will be left to heads of government.

A third scenario, as yet highly speculative, is that member states may decide to leave the question unresolved.

New plan for Argentina

Continued from Page 1

The U.S. Treasury said last night it expected agreement on the bridging loan to take another few days. Argentina has promised to pay bank creditors about $600m in overdue interest when the loan is agreed, reducing interest arrears on its public sector debt by around half.

The problem now, however, is to develop a concerted international response to the bridging loan after two major government creditors, West Germany and Switzerland, said they would not participate.

Mr William Rhodes, said the IMF agreement "should allow us to make rapid progress" on Argentina's debt rescue package.

Sr Fernando Alfonsin

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	21	70	Dubrovnik	S	24	75	Malaga		—	—	Salzburg	F	14	57
Akrotiri	S	29	84	Faro	S	26	79	Malta	S	28	72	Seoul	F	24	75
Algiers	S	20	75	Florence	C	23	73	Manila		—	—	Singapore		—	—
Amsterdam	F	15	59	Frankfurt	F	15	58	Miami	S	27	81	Stockholm	F	13	55
Athens	S	28	82	Funchal	C	21	70	Milan	S	23	73	Strasbourg	C	16	61
Bahrain	S	35	95	Geneva	F	16	61	Moscow	R	10	50	Sydney	S	19	66
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Readings at mid-day yesterday: C-Cloudy D-Drizzle F-Fair Fg-Fog R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

'Threat to car market'

Continued from Page 1

Germany said the impact of the proposals on its own vehicles would not become clear until ministers had also reached agreement on the still-unresolved question of a vehicle testing cycle to which the standards would be applied. The ministers agreed in March that European standards should have the same impact on the environment as standards applied in the U.S., but a precise method of translating U.S. standards into a European equivalent has yet to be agreed.

Mr Waldegrave made clear yesterday that the UK considered that there was little room for further compromise towards the West German position – a line expected to be taken also by France and Italy.

If the June 24 meeting ends in deadlock, the Community could find itself plunged into a major row as early as July 1. That is the date when West Germany would press ahead unilaterally with a tax incentive scheme for cars fitted with catalysts – a move which would almost certainly spark off retaliation by France at least.

For that reason, the issue could well wind up on the agenda of the EEC summit at the end of this month.

Loss expected at Storage Technology

By Paul Taylor in New York

STORAGE TECHNOLOGY, the troubled Colorado-based computer peripheral-equipment manufacturer, which is struggling to reorganise its operations after filing for protection from its creditors under section 11 of the U.S. bankruptcy code last October, said yesterday that it expected to report a first-quarter loss of about $30m.

The projected loss appears to reflect the company's internal difficulties together with the general recent malaise of the U.S. computer industry, which has forced almost all the main players in the sector to cut jobs and reduce earnings estimates.

Mr Ryal Poppa, Storage Technology's new chairman, disclosed the expected first-quarter loss in a letter to shareholders. Last year the once high-flying disk and tape-drive manufacturer reported a net loss of $505.4m including $279m in write-offs and inventory adjustments.

The projected 1985 first-quarter loss includes the $16m negative effect of an accounting change. In the comparable 1984 period, the company lost $15.7m on revenues of $179.5m.

The group has been struggling to rebuild customer confidence since its Chapter 11 filing last year. Its orders have dropped dramatically, however, because consumers have delayed purchases to await delivery of competing products due from IBM later this year.

● North American Philips warned yesterday that its second-quarter earnings would be "significantly" below earnings in the 1984 period and that net earnings for the full year would be down modestly from 1984.

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SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Wednesday June 12 1985

Takeover bid for Warner Amex lifted to $850m

BY PAUL TAYLOR IN NEW YORK

AMERICAN EXPRESS, the U.S. financial services group, yesterday accepted a sweetened $850m cash offer from American Television and Communications (ATC), the Time Inc subsidiary, and Tele-Communications for its Warner Amex loss-making cable televisioo joint venture with Warner Communications.

Under the terms of the new agreement, American Express said ATC and Tele-Communications had also agreed to sell off the joint venture's programming interests, which include a 19 per cent stake in Showtime/The Movie Channel, a premium pay-television channel and a two-thirds interest in MTV Networks, a non-stop rock video channel.

Such sales could generate around $330m in proceeds, according to Wall Street estimates. American Express said that, if the deal was completed, it and Warner Communications would share in the profits from the sales of Warner Amex's programming interest above a certain unspecified level.

American Express said the definitive agreement with ATC and Tele-Communications, the nation's two largest cable televisioo operators, was subject to Warner Communications also agreeing to sell its 50 per cent stake in the joint venture, whose non-programming assets include 119 cable systems in 25 states with about 1.2m subscribers.

The financial services group said Warner Communications, which has yet to respond to the original $750m cash bid made late last month, had the right either to accept the offer, or to buy out the American Express stake at the improved cash price.

Under the terms of the deal ACT and Tele-Communications will also assume Warner Amex's debts, which total about $500m. In an SEC filing earlier this month Tele-Communications confirmed that the new joint-venture partners planned to finance more than half the planned deal through the sale of Warner Amex assets.

The sale of Warner Amex's 19 per cent stake in Showtime/The Movie Channel, apart from generating cash to help fund the bid and possibly providing some additional proceeds to American Express and Warner Communications, would also resolve possible anti-trust conflicts with Time's Home Box Office pay-televisioo channel.

Warner Amex, under the leadership of Mr Drew Lewis, the former U.S. Transport Secretary, has been moving aggressively recently to cut costs and reduce its losses. Last year it reported a net loss of $25m on revenues of $573m

Tele-Communications is the nation's largest cable system operator with about 3.8m subscribers while ATC has around 2.5m subscribers. If the Warner Amex deal is completed, the two companies together would control about 20 per cent of the U.S. cable industry.

Leucadia bid to lift stake in Intergroup

By William Hall in New York

NATIONAL Intergroup, a conglomerate whose diversification out of the U.S. steel business has attracted the attention of corporate predators, is facing a fresh challenge from Leucadia National Corporation, its leading critic.

Leucadia, a New York-based consumer finance and insurance group, said yesterday that it was seeking federal regulatory approval to increase its stake in National Intergroup from 9 per cent to 24 per cent. National Intergroup shares, which have recently been trading close to their 12-month low of $22¼, rose $¾ to 25⅛ in early trading yesterday morning.

National Intergroup has been involved in a running battle with Leucadia, one of the more secretive corporate raiders on Wall Street, for several months. Leucadia has mounted two unsuccessful proxy battles against National Intergroup which is trying to restructure itself.

In 1981, National Intergroup, which used to be known as National Steel, sold its Weirton steel division to employees, and it has slimmed down its remaining steel facilities and sold 50 per cent of its National Steel subsidiary to Japan's Nippon Kokan.

BRONFMAN FAMILY'S SHARE SHUFFLING LEAVES ANALYSTS PUZZLED

Seagram shake-up stirs bid speculation

BY BERNARD SIMON IN TORONTO

EVER SIPICE Sam Bronfman and his brothers began their thriving bootleg bitter business on the Canadian prairies during Prohibition in the U.S., an air of mystery has hung over the Bronfman-controlled Seagram drinks empire.

Rumours swirling around the world's biggest wine and spirits producer have intensified lately as analysts, investors and the business community in general speculate on the motives behind a series of complex manoeuvres by Mr Sam Bronfman's four children, holders between them of 40 per cent of Seagram's shares.

The company's first-quarter results, published earlier this week, are likely to provoke further questions, especially on Seagram'a vulnerability to a takeover bid and the major acquisitions that some analysts believe the company is planning.

Earnings plunged by 72 per cent to U.S.$24.4m in tha three months to April 30. While the drop was due largely to sharply lower profits at E. I. Du Pont in which Seagram has a 22.4 per cent stake, Seagram's own earnings from wine and spirits also declined by 6.2 per cent. The company's share price has slipped by 9 per cent in Toronto over the past three weeks.

The Bronfmans began to reshuffle their interests almost a year ago by transferring control of Seagram from their family holding company Cemp Investments to individual trusts. Besides its Seagram connection, Cemp – an acronym derived from the oames of Mr Sam Bronfman's four children Charles, Edgar, Minda and Phyllis, has a 40 per cent stake in the property developer Cadillac Fairview and interests in two mining and energy groups, and a shoe manufacturer.

The reason for the shift in control of Seagram became more apparent last April when Minda Bronfman (now Baroness de Gunzburg) sold just over 900,000 of her shares, the maximum allowed for insiders during a three month period.

Shortly before the disposal, Seagram announced a controversial (and ultimately abortive) plan apparently designed to ensure that control would not slip from the two Bronfman brothers Edgar and Charles, chairman and deputy chairman respectively.

Under the plan, Seagram proposed to create a new class of "high powered" common shares, with each share carrying 10 votes. Holders of existing common shares would be discouraged from converting to the new stock by the offer of a dividend 15 cents higher than the payment on the oew shares.

Coinciding as it did with Baroness de Gunzburg's decision to reduce her interest in the company to 5.7 per cent, the share restructuring proposal fuelled speculation of either a rift in the Bronfman family or a fear among the Bronfmans that

Mr Edgar Bronfman

their company was vulnerable to an imminent takeover.

Mr Robert Vineberg, the family's Montreal-based lawyer, denies both suppositions. He says that the sale of Baroness de Gunzburg's shares was done "presumably for liquidity reasons," adding that the four Bronfmans "have the finest relationship among themselves."

Although Baroness de Gunzburg did not attend Seagram's recent annual meeting, her husband Alain and her sister Phyllis did. Baron de Gunzburg is a Seagram vice-president and chairman of G. H. Mumm and Co, the French champagne producer.

Mr Vineberg insists that the share restructuring proposal was a long-term strategy rather than a short-term defence.

Seagram may want to issue paper to fund an acquisition. Some analysts believe the company is on the lookout for a stake in a large non-durable consumer goods producer, to lower its dependence on liquor. Furthermore Seagram may have to issue up to 7m common shares over the next few years, equal to almost 8 per cent of the total outstanding, to redeem warrants and convertible debentures.

Despite these explanations, some questions still remain. The Bronfman brothers refused to exercise a right to buy their sister's shares. Why should they turn down an opportunity to maintain the family's shareholding at a time when they are apparently concerned about losing their grip on the company?

The restructuring of the Bronfman family's interests took another twist two weeks ago when Cadillac Fairview announced a proposal to exchange every 4 common shares for the same number of common shares plus 1 of a new series of preferred share. The preferred share will carry an annual dividend of C$1, 20 times this year's common share dividend.

Cadillac Fairview shrugs off the reorganisation as a way of attracting investors who shun the volatility of the common share market. A similar plan was devised in 1978. Mr Leo Kolber, Cadillac's chairman and one of the Bronfmans' closest advisers, says that "we treated our shareholders to a bonus."

However, the high dividend on the preferred share may also be a way of allowing some of the Bronfmans to increase their cash flows via Cemp without threatening the family's controlling interest in Cadillac Fairview.

Charles Bronfman and Mr Kolber have ensured that Cadillac stays in friendly hands by buying around an extra 10 per cent of its shares earlier this year on the heels of the purchase of a substantial minority interest by the Reichmann family, owners of the rival developer Olympia and York.

The Bronfmans' intentions may become clearer if Seagram finds another way to entrench the family's control. The proposal for the new high powered voting share was shelved shortly before the annual meeting on May 22 in the wake of an outcry among investment analysts and indications that some large non-Bronfman shareholders planned to take the high voting shares rather than the increased dividend.

Strong opposition to the plan raised the prospect of a lively annual meeting. But as one Toronto analyst observed, the Bronfmans "doo't want their laundry washed in public."

Austrian motor group suffers more losses

BY PATRICK BLUM IN VIENNA

STEYR-Daimler-Puch, Austria's troubled motor and engineering group, recorded increased losses last year but hopes to return to profitability by 1987, according to Mr Michael Malzacher, the company's general director.

The company hopes that its financial position will improve after heavy capital injections by the Government to finance a sweeping restructuring programme agreed by its board at the end of May. For its part the Government has yet to agree how much subsidy it is willing to provide and what these would be used for.

Operating losses totalled Sch 295m ($12.57m) compared with Sch 289m in 1983. Sales continued to decline falling to Sch 14.6bn from Sch 15.14bn in 1983

The company has already undertaken some restructuring and reduced its workforce from 15,515 employees in 1983 to 14,894 employees last year, but personnel costs have risen by more than 10 per cent per worker in that period with total costs up about Sch 300m to Sch 4.9bn last year.

Falling sales and escalating costs forced the company to draw Sch 1.2bn on its reserves to cover operating losses and losses carried forward from the previous year.

Swedish bank's operating profit slips 11%

By David Brown in Stockholm

SVENSKA HANDELSBANKEN, one of Sweden's three largest commercial banks, reports an 11 per cent decline in operating profits for the first four months ending April to SKr 510m ($57.3m).

The bank warns that the recent tightening of monetary and credit policy by the Swedish central bank, unless eased later this year, could cut as much as SKr 500 from its annual result. The bank's operating results were SKr 1.77bn in 1984.

Like all Swedish commercial banks, Handelsbanken has a large portfolio of fixed-term public-sector bond commitments, and last month's increase in the official discount rate by two points and the penalty rates by 2.5 points, part of the Government's credit squeeze, cannot be entirely offset by higher volumes or lending rates.

Citicorp hits out at U.S. court ruling

By Our New York Staff

CITICORP, the biggest U.S. banking group, said that it was "deeply disappointed" by the Supreme Court decision which emphasised the need for revision of the decades-old laws that govern banking in the country. "These laws penalise banks' customers by perpetuating protective turfs for their banks," said Citicorp.

"The decision highlights the fact that banking, by banks, is the only business in the U.S. where markets are fragmented by law without regard to the customers' well-being. Even the proponents of Balkanised banking admit they are basically only interested in protecting themselves from competition," said Citicorp in a prepared statement.

Aegon disposes of Washington bank holding

BY LAURA RAUN IN AMSTERDAM

AEGON, the second largest Dutch insurance company, has sold its stake in International Bank of Washington for $57.3m, or $6.8m less than the stake's value at the end of last year.

A large shareholder and chairman of the bank, Mr George J. Olmsted, is acquiring Aegon's stake through the exercise of option rights. Aegon'a interest in International Bank is held through Life Investors of Iowa, e majority-owned subsidiary.

Meanwhile, Aegon is lifting its stake in Life Investors to about 81 per cent from 72.4 per cent through a tender offer valued at around $9.79m. The Hague-based insurer plans to take over the remaining 19 per cent of the U.S. life insurance company by 1988. The price will amount to about $100m under a formula agreed in 1981 when Aegon initially acquired its majority stake in Life Investors.

The Iowa insurer acquired its interest in International Bank, which is a holding company for industrial concerns and insurance companies, before 1981. Last year, losses in the casualty insurance activities outweighed profits in the life insurance businesses and the industrial concerns.

Aegon is seeking a listing on the U.S. over-the-counter market accompanied by a 1m share offering in a bid to further broaden international ownership.

EIB doubles capital as lending rises

BY PAUL CHEESERIGHT IN LUXEMBOURG

THE capital of the European Investment Bank, the major financial institution of the EEC, is to be doubled to Ecu 28.8bn ($20.9bn). The increase will be subscribed by the EEC's member states.

EEC fioance ministers, wbo make up the EIB's board of governors, took the decision yesterday against the background of a steady increase in the bank's activities. Lending in the first half of this year was running 19 per cent higher than in the 1984 first half.

The increase in the capital will have the immediate effect of enlarging the EIB's scope to lend, raising the allowable maximum for credits outstanding to Ecu 72bn from Ecu 36bn. Loans outstanding at present total Ecn 30.2bn.

This push towards the loans ceiling – 2.5 times the capital – has coincided with the need to mark Spanish and Portuguese accession to the community by providing for their automatic membership of the EIB.

The Spanish share of the capital will be 7.031 per cent and that of Portugal 0.927 per cent. The share of other EEC countries has been adjusted downwards to take this into account, with the exception of Italy, where it has been raised at the request of the Rome Government.

Germany, France, Italy and the UK will each hold 19.127 per cent of the capital, under which other capital shares are staggered down to Luxembourg's 0.134 per cent.

In line with past practice, the EEC states will only be paying in a portion of the capital they subscribe. Of the Ecu 14.4 per cent increase, Ecu 2.6bn will be paid over 12 six-moothly instalments from April 1986.

Total EIB lending this year up to June 11 has reached Ecu 2.7bn, of which the lion's share has gone, as in the past, to Italy. Borrowing on the markets is up to Ecu 2.5bo so far this year, against Ecu 1.9bn over the same period in 1984.

Although dollar borrowing remains the single most important component of the borrowing, the role of Ecu borrowing has continued to increase.

EUROBONDS

N. Zealand returns to market

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

NEW ZEALAND yesterday launched its first fixed-rate issue in the Eurodollar bond market since 1976, in the form of a two-tranche deal totalling $350m.

Partly because of the rarity of the oame, the deal was relatively well received in an otherwise rather sluggish market. Though secondary market prices picked up slightly from Monday's lows, other recent issues continued generally to trail outside their total fees.

Led by Credit Suisse First Boston, alongside Kidder Peabody, Salomon Brothers and S.G. Warburg, the New Zealand issue comprises a $200m, 10-year tranche and a $150m, 15-year portion. Both are priced at par, but the first carries a 10¼ per cent coupon and the second 10½ per cent.

Elsewhere, general investor uncertainty over the trend of exchange markets and of U.S. bond markets continues to provoke a spate of interest in the high-coupon Antipodean currencies. Both the Australian and New Zealand dollar sector saw new issues yesterday.

CSR, the Australian energy, resources and mining conglomerate, is raising A$40m through a five-year 13¾ per cent issue priced at 100½ per cent by Hambros Bank. Co-lead managers are S.G. Warburg and Kredietbank.

BHF Bank bond average

June 11 102.805		Previous 102.793
High 102.960	1985	Low 99.840

British Petroleum is raising NZ$50m through a three-year 16 per cent issue priced at par by lead managers CSFB.

In the Ecu sector, Union Bank of Norway launched an Ecu 70m issue through Crédit Commercial de France which is to be swapped into floating-rate dollars. Tha 10-year, 9 per cent deal is priced at par and met a good reception despite its low coupon. Once again investors were attracted by the rarity of a Norwegian name. The borrower is Norway's fourth largest bank and the umbrella organisation of Norwegian savings banks, though it is not state-owned.

Swiss and German markets were generally trendless, though a feature was the continuing weakness of the DM 500m floating-rate issue for the Bank of Greece which traded at a discount of more than 80 points, well outside its 70 basis point fees. Dealers said that Greece's credit rating was not strong enough tn guarantee a good reception in this market sector.

New issues included a DM 100m. 7¾ per cent issue at par for Korea Ex-Im Bank which is led by DG Bank and was also poorly received, while Japan Highway Public Corporation is tapping the Swiss market for SwFr 150m through a five-year, private placement bearing a coupon of 5⅝ per cent and led at par by Crédit Suisse.

The EEC launched a Fl 200m, 15-year, 7¾ per cent issue at par through Amro and Algemene Bank Nederland.

In the convertible sector the $75m issue for Thomson-CSF of France was priced with a 7 per cent coupon and conversion premium of 9.9 per cent, while the SwFr 50m convertible placement for Asics, the Japanese sportswear concern, has been awarded a 1⅝ per cent coupon and conversion premium of 2 per cent.

● Japan's Ministry of Finance has confirmed that it will permit floating-rate notes to be launched in Euroyen later this month. But the issues must have a maturity of at least five years, and Japanese borrowers will be excluded from the market.

Full details of the ministry's rules are expected to be circulated before the next round of financial discussions between the U.S. and Japan, scheduled for next Tuesday.

International bond service, Page 28

Reynolds sets up finance for Nabisco deal

By Our Financial Staff

R. J. REYNOLDS Industries, the U.S. tobacco group, has lined up $2.5bn of three-year revolving credits to finance the cash portion of its recently-announced $4.9bn bid for Nabisco Brands, the foods group.

The six largest New York banks are understood to have pledged $300m each, and five other money centre and regional banks have committed between $75m and $250m in separate agreements.

Last week, Reynolds began a tender offer for up to 29m shares or 51 per cent of Nabisco's outstanding common stock for $85 a share in cash. The offer expires oo July 1.

Once the bid has received necessary regulatory approval and initial drawdowns on the credit lines have been made, Reynolds plans to issue commercial paper and long-term debt.

The six New York banks to commit $300m are Bankers Trust, Chase Manhattan Bank, Chemical Bank, Citibank, Morgan Guaranty Trust and Manufacturers Hanover Trust.

In addition, Bank of America has pledged $250m, Mellon Bank $200m, NCNB National Bank of North Carolina $100m and First Union National Bank of North Carolina and Wachovia Bank und Trust $75m each.

INTERNATIONAL COMPANIES and FINANCE

Empain-Schneider unit may link with Technip

BY PAUL BETTS IN PARIS

SPIE BATIGNOLLES, the construction and civil engineering subsidiary of Empain-Schneider, the French private group, is showing growing interest in co-operating with Technip, France's leading process and industrial engineering company currently struggling under the burden of heavy losses.

Although M Georges de Buffevent, the chairman of Spie Batignolles, indicated yesterday that his group was not considering acquiring a minority stake in Technip at this stage, he said Spie Batignolles was "interested to discuss methods of co-operation with Technip."

He added, however, that Spie had no intention of acquiring a stake in Technip if it did not have any control in the company. "That would not interest us," said M de Buffevent.

Technip, the main French engineering competitor of Spie Batignolles obtained last week FFr 2bn ($212m) in fresh funds to clean up the troubled group's balance sheet and help its financial recovery. French banks involved in the Technip rescue have also been keen to find a new industrial partner for the troubled project engineering company.

Elf Aquitaine, the state controlled oil group, has at present had to play a leading role in the salvage of Technip. But Elf has made it clear that it does not want to be drawn too deeply into the Technip rescue and does not want to end up owning a controlling stake in the ailing project engineering group.

An eventual link-up between Spie and Technip would represent, if it took place, a further strengthening of Spie's presence in the process and energy engineering business. It would also coincide with a diversification in the oil service sector by Bouygues, the leading French private construction group.

Bouygues has recently taken over the offshore oil service operations of Amrep, the French group which went bankrupt last year.

Like Bouygues, Spie has also just unveiled a major project to build a new corporate headquarters outside Paris. M de Buffevent said yesterday that the group had decided to regroup its headquarters staff involving about 3,500 people currently scattered in offices throughout Paris in a new FFr 650m complex to be completed in the next two years at the new town of Cergy-Pontoise in the outskirts of Paris. Bouygues announced two weeks ago the construction of a new FFr 500m headquarters complex near Versailles.

M de Buffevent said Spie's net earnings last year totalled FFr 135m compared with FFr 132m the year before. Sales rose to FFr 15.2bn last year from FFr 14bn in 1983. M de Buffevent said he expected sales to rise to FFr 18.4bn this year.

However, in view of the general uncertainties of the economic situation and Spie's international markets, the company has decided not to increase its dividend payout this year.

Senior Spie officials also suggested that the French group expected to finalise at last the financing for its 50 per cent share of the 150,000 barrels a day refinery venture with Japanese companies at Port Harcourt in Nigeria. The officials claimed that the financing could be finalised by the end of this month or in July for the $500m Nigerian refinery project.

Goldsmith set for more battles with Crown Zellerbach

BY WILLIAM HALL IN NEW YORK

SIR JAMES Goldsmith, the Anglo-French financier, yesterday said that he had achieved "an important goal" in getting a seat on the board of Crown Zellerbach, but Wall Street analysts say that he faces an uphill struggle in his five-month-old battle to influence the future of the 115-year-old U.S. West Coast forest products group.

Sir James, who controls a 26 per cent stake in Crown Zellerbach, issued a brief statement yesterday following the news of the final count of the shareholder votes which showed that he had picked up less support than might have been expected in his proxy battle against Crown Zellerbach's board.

A total of 18.9m, or slightly over two thirds, of Crown Zellerbach's 27.3 shares were voted during the proxy battle. Crown says that 77 per cent of the shares were voted for the management slate of nominees but noted that Sir James had sufficient votes to elect himself to the board. As part of a peace plan announced on May 26, the company had already elected Sir James to the board.

Crown Zellerbach also noted that Sir James's shareholder resolutions to redeem the "poison pill" share purchase rights and his "offer consideration" proposal were soundly defeated at the meeting, with around three quarters of the shares being voted against Sir James.

Sir James played down the scale of his defeat yesterday and said that he had been able to vote only 1.5m of his shares because there had been a substantial change in the ownership of Crown shares between the record date for the meeting and the date on which the meeting was held. "Accordingly a large number of shareholders were effectively disenfranchised," he said. He did not consider the vote on the "poison pill" as significant because Crown had indicated that it intended to withdraw it ahead of the shareholders' meeting.

On the basis of the shareholder vote it appears thet shareholders representing 2.9m shares voted against Crown Zellerbach management in addition to Sir James's 1.5m shares.

Sir James is expected to attend his first meeting of the Crown Zellerbach board in San Francisco tomorrow when he has promised to work together with Crown's board "to maximise shareholder value through restructuring Crown."

Wall Street analysts argue that he will have a difficult task changing the mind of a board which until now bas been hostile to his views. Mr Gary Palmero, an analyst with Oppenheimer, said yesterday that it was "very difficult to say" how well Sir James was doing.

He said that be believed Sir James would have jumped at the chance of getting $50 a share under the abortive bid from Mead Corporation and now faced a long and time-consuming battle to increase the value of his stake. The average cost of Sir James's shares is believed to be between $35 and $36 a share, so he is still showing a profit

Danish brewer forecasts lower earnings

By Hilary Barnes in Copenhagen

UNITED BREWERIES, producers of Carlsberg and Tuborg, forecasts reduced earnings in 1984-85 as a result of several negative factors, including an increase in Denmark's corporate income tax rate from 40 to 50 per cent.

The group's Copenhagen breweries have been brought to a halt for the past five weeks by an unofficial strike of 3,500 workers who say the dispute is over a new five-year productivity and manning agreement.

Both sales and earnings in the half year to March 31 increased by about 5 per cent, said the statement, and a similar trend is expected in the remainder of the year.

Recent acquisitions abroad, either completed or underway, and the adaptation of their accounts to the United Breweries fiscal year and accounting principles will also tend to weaken earnings in the current year, but in the longer term the acquisitions are expected to result in a positive contributions to earnings.

Holderbank considers major U.S. expansion

BY JOHN WICKS IN ZURICH

HOLDERBANK, the Swiss-based international cement group, is considering a major acquisition in the U.S., according to Dr Erwin Maechler, managing director. This could involve the expenditure of between $100m and $150m.

The group already has a direct stake in Dundee Cement in Michigan and its South Carolina affiliate, Santee Portland Cement.

Holderbank also has a controlling interest in the Montreal company, St Lawrence Cement, which last June spent U.S.$30m on a New York state cement works and four plants formerly owned by Lone Star Industries.

Last year, total sales of the Holderbank group rose by 15.3 per cent to SwFr 3.16bn ($1.2bn).

Parent company Holderbank Financière Glaris, whose net profits showed a rise of 4.4 per cent to SwFr 35.8m, plans an unchanged dividend of SwFr 16 a share.

Earlier this month the company announced plans for a rights issue to raise some SwFr 60m, as well as the issue of registered shares with a nominal value of SwFr 30m without drawing rights.

VCR sales in U.S. set to grow strongly

By Andrew Baxter in London

THE U.S. market for video cassette recorders is likely to grow substantially in the next few years, said Mr Alan Wurtzel, chairman of Circuit City Stores, a leading U.S. consumer electronics retailer, in London yesterday.

VCRs have been less successful in the U.S. than in the UK in terms of market penetration, but even so some industry observers have forecast a slowdown in demand. But Mr Wurtzel said fewer than one in five of U.S. families possessed a VCR. Industry projections were for sales of 8.5m to 9m units this year, against 7.8m last year and 4m in 1983, he said.

Mr Wurtzel said deregulation in the telecommunications industry had boosted demand for telephones, as customers had realised the advantage of being able to buy a telephone rather than paying a monthly charge to the telephone company.

Mr Wurtzel said demand for colour televisions, often considered a mature market, was rising, due mainly to the new uses to which TVs were being put as display screens for VCRs and home computers, and because of technological advances such as stereo TV broadcasts.

Circuit City, formerly known as Wards, is the largest U.S. speciality retailer of brand name consumer electronics. In its last fiscal year ended February 28 it reported net profits of $20.2m on sales of $519.2m, up from $12m and $356.7m respectively.

The company is undergoing a big expansion programme, based largely on 30,000 to 40,000 sq ft superstores in California. It expects sales of about $700m this year.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for June 11.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						
Average price change On day 0 on week −0⅛						

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						
Average price change On day 0 on week −0⅛						

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						
Average price change On day 0 on week +0⅛						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						
Average price change On day +0⅛ on week +0⅛						

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]						
Average price change On day 0 on week 0						

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]						

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡ three month; § above mean rate) for U.S. dollars. C.cpn = current coupon. C.yld = current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTL. COMPANIES & FINANCE

Hong Kong plans to inject HK$2.5bn into MTRC

BY DAVID DODWELL IN HONG KONG

THE Hong Kong Government yesterday announced plans to inject HK$2.5bn (U.S.$321m) in equity into the financially-extended Mass Transit Railway Corporation (MTRC), with a possible commitment to provide a further HK$2.5bn after 1989.

The proposals were given the go-ahead by the territory's Executive Council yesterday, and will have to be approved by the Finance Committee in two weeks' time. If passed, the MTRC will get an equity injection of HK$1.5bn this year, with a further HK$1bn coming by 1988.

Commitment of the other HK$2.5bn "will depend on future interest rates and the MTRC's actual revenue receipts," the Government said yesterday. In any case, it will not be disbursed before 1989.

The Government is the only shareholder in the MTRC, having provided capital of HK$5bn since the corporation was set up in 1975. The MTRC has in addition raised export credit finance and commercial loans amounting to HK$19.5bn. High interest costs, coupled with lower-than-expected passenger revenues, left the corporation with an operating loss last year of HK$545m.

Hong Kong's Mass Rapid Transit System, which was extended only last Friday with the opening of a HK$11bn line along Hong Kong island's northern coast, is understood to be the most heavily used in the world. About 1.2m passengers use the system every day—about 46,000 per kilometre of track, compared with 40,000 in Tokyo and 4,000 in London.

Mr Wilfrid Newton, chairman of the MTRC, warned recently that high loan interest rate charges were depleting shareholders' funds at an accelerating rate, and that the group could soon be technically bankrupt. Interest and finance costs, which are charged to the profit and loss account, amounted to HK$863m in 1984 — 10 per cent up on the previous year. It has been clear for several months that tha corporation was seeking a fresh injection of funds from the Government.

The Government said yesterday the refinancing was "reaffirmation" of its commitment to support the MTCR. It also said the injection would not affect its budget, in part because of the staggered way in which cash will be disbursed, and in part because of an "unexpected flush" of funds from government land sales, estimated at about HK$1.6bn.

Passenger revenues have fallen short of expected levels because buses have been able to offer improved services to commuters since the Mass Transit began operation, relieving serious congestion. Property development along the new island line has also yielded less than expected, the Government said.

Unlike many public transport systems worldwide, the MTRC receives no subsidies. It nevertheless claims that by 1990 it will be generating enough revenue to meet current operating costs and loan repayments.

Overseas Trust Bank depositors reassured

By Our Hong Kong Correspondent

DEPOSITORS at Hong Kong's Overseas Trust Bank were given a reassurance yesterday by Mr David Turner, who has been seconded from the Hongkong and Shanghai Banking Corporation to manage the bank on behalf of the Government.

He said "Our main priority is to make sure that OTB, and its subsidiary, Hongkong Industrial and Commercial Bank, are operating normally and to reassure depositors that their funds are safe."

In Hong Kong's Western magistrates court, Mr Patrick Chang Chen-Tsong, a former director of OTB, appeared with Mr George Leow Tshun-Lin, the Singaporean head of OTB's credit card operations, to be charged jointly with conspiring to defraud creditors, depositors and shareholders in OTB.

The two men were charked with dishonestly causing OTB to make excessive or inadequately secured loans to companies or persons associated with Mr Chang or under his control during the past 3½ years. Mr Chang's application for bail of HK$ 7m was turned down. Both men were remanded in custody until July 25.

Meanwhile, share prices on Hong Kong's stock markets plunged yesterday as stockbrokers used worries following the OTB collapse as an excuse to lighten their exposure in what is expected to be a flat market for the near future.

The market's main indicator, the Hang Seng index, fell by 80 points to end the day at 1,492. This is more than 150 points below a 3½-year high point reached less than a month ago.

World stock markets, Page 31

ICI Australia shows decline at six months

MELBOURNE — ICI Australia reports a decline in net earnings to A$19.7m (U.S.$13m) for first balf to March from A$34.43m a year earlier. The interim dividend was held at seven cents.

The group said it expected some improvements in profits in the second half if demand continued at present levels.

The first half sales rise to A$753m from A$717m mainly reflected higher volumes achieved against strong import competition, ICI said.

ICI noted first half comparisons were distorted by the abnormally high investment allowance of A$19.4m in the first half of 1983-84 against A$783,000 in the lates period.

ICI Australia is owned 62.4 per cent by Imperial Chemical Industries of the UK.

Reuter

General insurance helps NZI lift profits by 44%

BY OUR FINANCIAL STAFF

NZI, the New Zealand financial services and insurance group, bas reported a 43.8 per cent increase in consolidated net earnings for the year ended March 31, from NZ$48.9m to NZ$70.3m (U.S.$31.5m). Earnings per share, adjusted for last year's capital increase, rose from 17.6 cents to 22.1 cents, while the company puts tha return on shareholders' funds at 19 per cent last year. Group revenues for the year rose from NZ$804m to NZ$1.05bn.

General insurance operating earnings showed a strong improvement from NZ$30.9m to NZ$46.8m, with premium income showing real growth for the first time in several years.

The life insurance division, by contrast, showed a slight drop in operating earnings from NZ$4.2m to NZ$4.1m. An increased surplus on policyholders' funds was offset by a drop in investment income and in abnormal items.

Earnings from the company's finance divisions rose to NZ$14.5m from NZ$9.5m, though half of this year's figure was accounted for by extraordinary items, notably the disposal to Brierley Investments of a holding in Bunting, the Australian group. Assets of the division rose to over NZ$1bn, reflecting the acquisition during the year of Armco's business in Australia — where NZI now bas a merchant banking licence.

Tha board is proposing once again a bonus issue of one new share for five beld, together with a final dividend of 4.75 cents to make a total distribution for the year of 8.5 cents

Timber and trading side hits Volkskas

By Jim Jones in Johannesburg

A DECLINE in non-banking led to lower in disclosed after-tax profits of Volkskas, South Africa's fourth largest banking group, in the year to March 1985. Group taxed profit from banking operations calculated after transfer to inner reserves, increased by 12.4 per cent to R 48.6m ($24.3m) against R 43.33m. However profit from non-banking interests fell by almost three quarters to R 4m compared with R 15.8m. As a result the group after-tax profit slipped by 10.8 per cent from R 59m to R 52.7m.

Worst affected of the non-banking interests was Bonuskor, which is 63 per cent owned by Volkskas and which has interests in timber, manufacturing and trading. Bonuskor's after tax loss increased to R 6.9m from the previous year's rands R 1m.

Volkskas's directors are satisfied with group performance and say the increase in banking profits is particularly good given the negative effects of high interest rates.

Earnings fell to 172.4 cents a share from 193.8 cents and an unchanged total dividend of 57 cents has been declared.

INTL. COMPANIES & FINANCE

John Makinson looks at the Japanese art of Zaiteku

Industrial groups play the market

JAPANESE COMPANIES have a long-standing reputation for financial conservatism. Not for nothing are both Toyota and Matsushita described as banks. They may manufacture motor cars and household appliances, but both companies derive a high proportion of their profits from the investment of prodigious liquid assets in short-term deposits. However many chances they may take on new products, neither company strays from the straight and narrow in the field of financial investment. They are, to put it no more strongly, risk-averse.

Yet Toyota and Matsushita are rapidly becoming exceptions to the Japanese rule. Increasingly, industrial companies are taking a more imaginative—even adventurous—approach to cash management. The corporate treasurer who five years ago might happily have traded places with the local bank's branch manager is now one of the more glamerous figures in the comoany hierarchy. *Zaiteku* — or treasury management—is the very beight of corporate fasbion.

According to Mr Masanobu Ikeda, the director responsible for accounting at JVC, two distinct trends have united to encourage a more active approach: "Japanese companies have been able to generate substantial quantities of cash through rapid economic growth, while the capital markets thamselves have developed, giving companies greater opportunities for indirect financing."

Put another way, Japanese corporations bave become more adept at both asset and liability management. Their financial assets have grown as a result of internal casb generation, while the increasing substitution of convertible bonds and equity for bank debt bas provided them with surplus funds to invest.

The result has been a transformation of tha Japanese balance sheet. Historically, Japanese companies bave survived on a very slender equity base thanks to their close relationship with the banking system. Japanese banks are large shareholders in their client companies and have traditionally put strong pressure on clients to borrow heavily and, if need be, redeposit surplus funds in the banking system hut the growing financial strength of the corporate sector, the development of public capital markets within Japan and the increased access of Japanese companies to international sources of funds have recently combined to strain that relationship.

Even now, most Japanese companies treat their hanks with more than a little respect. Mr Ikeda says that JVC could have repaid all its long-term bank debit as long ago as 1978 but deferred the decision until 1982 out of politeness to its banks.

Meanwhile, Mr Nobuji Kamachi, director for finance at Hitachi, explains that while the company's credit rating enables it to secure funds more

cheaply from the public markets than from tha banking system, "the big banks are major customers for our prodncts, ao it is a little difficult for us to repay all the debt." Hitachi's aim ia to become debt-free, but for the moment the parent company has borrowings of Y480bn ($1.92bn)—more than matched on the other side of the balance sheet by liquid assets of Y800bn.

Yet even the most blinkared commercial banker would acknowledge that the relationship between an industrial company and its banks is much weaker than it once was. To some extent this just reflects the maturing of the Japanese economy and a shift in the manufacturing base.

Mr Kamachi, for example, says that almost all of Hitachi's cash resources have been generated internally. After the oil crisis of 1973, the company took a deliberate decision to invest in products—such as semi-conductors—which would earn a relatively quick cash pay-back on investment. The result was a rapid huild-up of liquid assets.

For very different reasons, Nippon Yusen, Japan's biggest *shipping company*, also responded to the oil crisis by strengthening its liquidity. The company sold off a substantial proportion of its oil tanker fleet and invested the proceeds in property and financial assets which between them now account for 45 per cent of the group's gross assets.

Yet internal cash flow is only half the story. In the late 1970s, many Japanese companies discovered the merits of a more aggressive approach to liability management. The replacement of bank debt with equity or interest-bearing securities had at least two material advantages. It reduced the short-term cost of capital—not least because of the very low yield base of the Tokyo stock market—and it diluted the equity position of the banks.

In the past five years, JVC bas built up its liquid assets from Y50bn to Y140bn. Internal cash flow has played a part in that increase but, of tha Y90bn rise, no less than Y68bn is accounted for by sorties to the capital markets. For a cash-rich industrial company to raise funds simply for the purpose of redepositing them in other financial markets would seem a strange way to carry on in London or New York. But no such stigma attaches to this practice in Tokyo. Indeed, borrowing in one market and lending out in another can he a very profitable business.

Nippon Yusen is probably as sophisticated as any Japanese company in the field of *Zaiteku*. It has two subsidiary companies, one in London and the other in Tokyo, specifically dedicated to treasury management. Mr Yoshikazu Ishikawa, the general manager of the financing division says that his dream is to create something resembling a London merchant bank. Kleinwort Benson is apparently the model.

The company has already made a fair start. Last August Nippon Yusen used its AA+ rating in the U.S. debt markets to raise $50m of fixed-rate deht. It then swapped the proceeds into yen at an interest rate almost a full point below the Japanese long-term prime rata and reinvested the proceeds in yen financial assets offering yields at or above long-term prime.

Emboldened by the success of this manoeuvre the group borrowed another $50m fixed-rate in January of this year, swopped it for floating rate debt and then reinvested the cash in floating rates notes of an identical maturity. This operation produced a running arbitrage profit of 80 hasis points, equivalent to $2.8m in nominal terms over the lifa of the seven-year loan.

Some Japanese companies bave been rather more adventurous, *borrowing in the Swiss* franc convertible bond market at 2¼ per cent and reinvesting in the U.S. Treasury bill market at 10¼ per cent. But Nippon Yusen's two fund-raising operations entailed no material currency or credit risk.

The profit arose from anomalies in Japan's domestic markets. In the first case Japanese banks, in their eagerness to lend hedged yen, shouldered a credit risk by passing on Nippon Yusen's dollar bond proceeds to a counterparty with a lower credit rating. The counterparty paid more for the dollars, giving the banks room to lend the Japanese company cheap yen.

In the second case, Nippon Yusen exploited a loophole by which Japanese life insurance companies can avoid foreign exchange restrictions by buying dollar securities issued by Japanese companies. By selling the dollar bonds to the life insurance industry at bome, Nippon Yusen secured funds at a very low cost.

Nippon Yusen regards *Zaiteku* as a source of stable earnings to balance its volatile shipping profits. It aims for a yield of 7 per cent to 8 per cent on its financial assets

Nippon Yusen, Hitachi and JVC all emphasise that their financial assets are invested in a conservative fashion, mostly in yen bonds. None of them sees *Zaiteku* as more than an adjunct to the basic business of manufacturing VTR's or transporting freight. But, for the moment, it is more profitahle than either.

UK COMPANY NEWS

Guinness ahead of market expectations with £37m

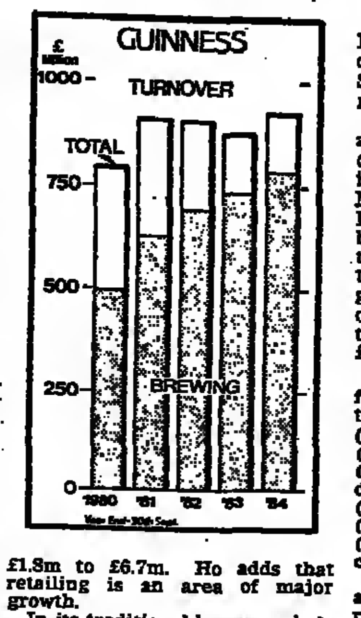
THE DEVELOPMENT programme initiated last year has resulted in substantial benefits for Guinness, formerly Arthur Guinness and Sons, with pre-tax profits rising by 20 per cent from £30.9m to £37.2m during the first half to end-March 1985.

This result is better than the £34.5m to £35.5m market expectation, and Mr Ernest Saunders, chief executive, commenting on the results, says that Guinness, which is involved in brewing, retailing and publishing, is now established as a "dynamic consumer products and services company."

The interim dividend is lifted from 1.82p to 2p net. Last year a total of 6.44p was paid on profits of £70.4m (£58.8m). Stated earnings this time are shown higher at 11.2p (9.6p).

The group has the twin strategies of "profits for today" by continuous improvement in its established businesses, and "growth for tomorrow" by investment in growth sectors and by management in depth, Mr Saunders says.

Within these aims it has concentrated during the six months on improving the profitability of Martin the Newsagent, acquired last June, towards the industry-best level enjoyed by the group's existing Lavells chain. The group is on target to meet that objective, he says, and as a result the trading profit of its retailing and other activities rose from £1.8m to £6.7m. He adds that retailing is an area of major growth.



In its traditional home markets the group is continuing a marketing thrust to re-vitalise the Guinness brands. Draught Guinness volume sales in Britain and Ireland continued to improve during the first half. Brewing margins overall have improved, with trading profits in this area up by 13 per cent to £31.1m.

In the U.S. the Guinness Import Company continues to out-perform its sector, Mr Saunders says, and the growth rate in Germany has accelerated.

The results this time include acquisitions made after the end of the last financial year. They include Martins, Champneys, Natures Best Health Products, Richter Brothers, and Neighbourhood Stores, and indications are that they will substantially contribute to the group's future growth and development. Turnover and pre-tax profits relating to these companies amounted to £91m and £3.8m respectively.

Total group turnover was up from £438.3m to £562.6m, with the UK contributing £266.3m (£177m), Ireland £162.5m (£159m), and overseas £133.8m (£102.3m). Pre-tax profits were divided as to the UK £14.9m (£8.9m), Ireland £12.7m (£11.3m), and overseas £14.4m (£13.7m). Central finance charges took £4.8m (£3m).

Exceptional costs of £2m again represent provisions for rationalisation in continuing brewing activities. Related companies added a same again £7m to taxable profits, and there were net finance charges of £5.6m (£3.6m).

After a tax charge of £11.8m (£10.8m), and minorities of £3.2m (£3.1m), attributable profit emerged at £22.2m (£17m).

See Lex

Independence or Liberty?

Martin Dickson in London and Jim Jones in Johannesburg on the bid for Capital & Counties

THE TAKEOVER bid launched yesterday by an offshoot of Liberty Life Association for Capital and Counties involves one of South Africa's leading and innovative life offices and one of Britain's top 10 property companies.

On paper at least, such a bid should generate considerable excitement. But Mr Donald Gordon, chairman of Liberty, was keen yesterday to play down the significance of the move.

It was, he insisted, a technical bid which the Liberty's 75 per cent owned subsidiary, TransAtlantic Insurance Holdings, had been obliged to make under Britain's takeover code, which insists that a company make a full offer for another when its stake in it reaches 30 per cent.

TransAtlantic, which already held a 29.7 per cent stake in Capital and Counties, was offered a block of shares by the British Rail Pension Fund, representing about 4.8 per cent of Capital's equity, which it was keen to buy at a price of 225p a share. That took it above 30 per cent, automatically triggering a bid at the same price.

"It is not a bid designed to take control," said Mr Gordon yesterday. "We are perfectly happy to stay at 34.5 per cent, but if legal control is acquired at 225p that is acceptable to us." He added that TransAtlantic would be keen to maintain Capital's Listing, with perhaps up to 40 per cent of its shares remaining in public hands.

But at least some City analysts were yesterday speculating that it was possible Mr Gordon might want to build up Capital as a quoted UK investment vehicle, possibly as a prelude to greater involvement in Sun Life Assurance, the large UK insurance group in which TransAtlantic has a 26 per cent stake.

However, Mr Gordon said yesterday Liberty was considering the public flotation of TransAtlantic in London as an investment vehicle.

Whatever the plan, Capital is regarded in the City as one of Britain's more attractive property companies in a depressed sector. The bid has hardly been pitched generously, standing at a 13 per cent discount to fully diluted net asset value of 258p per share at the end of March.

However, that net asset value figure—announced at the end of May together with the company's preliminary results for 1984-85—disappointed the property sector, and may have been one factor behind the BR Pension Fund's sale of shares.

In recent years the company's pre-tax profits have not been particularly exciting — partly reflecting a shift from property trading to investment. Pre-tax profits fell from £10.47m in 1983-84 to £9.96m last year, but the 1983-84 figures included an exceptional profit on low sales, so last year's underlying growth was about 14 per cent. Of this, property investment accounted for £12.2m of operating income, against £1.9m for housebuilding and £840,000 for property trading.

This year analysts are looking for taxable profits of just over £11m, with relatively static income from trading and housebuilding but a good advance on the investment side, through rent reviews and new lettings.

The group's particular attraction to the City is its major role in retail property, which accounts for about half its portfolio against an average weighting for the sector of about 25 per cent.

It is best known for its big retail centres in Nottingham (the Victoria Centre) and in Newcastle, and it has a large stake in a recently completed centre in Wakefield. Its major project under construction is a 380,000 sq ft shopping centre at Hanley, Stoke on Trent, due for completion in 1988, and it is also a contender for a major 1m sq ft centre in West Thurrock.

As for Liberty Life, in the 28 years since it was founded by Mr Gordon, it has grown into South Africa's third largest life assurer and has a reputation for being among the most innovative. At the end of 1984 total assets were R4.22bn, while last year's premium income was R510m and net profit R44.9m.

Size brings its own problems in the limited South African economy. Five major groups, which include Liberty, are estimated to own about 80 per cent of the private sectors industrial and commercial assets. As a result growth opportunities are being sought increasingly abroad, though this is constrained by South Africa's strict foreign exchange controls.

Liberty's overseas ambitions may eventually be channelled through Sun Life of the UK, though this would call for considerable tact and patience. In Johannesburg, in March, Mr Gordon made clear that he had no intention of barging into the London insurance market.

He said that though he would be happy to see Liberty and Sun Life working closely together this could only be implemented when it was clear that Sun and Liberty had complementary skills to offer each other.

Urban renewal boosts Regalian

A MARKED INCREASE in its urban renewal activities has helped Regalian Properties to a record £2.23m pre-tax for the year to end-March 1985, compared with £785,440 previously.

At the halfway stage this holding company, which develops and deals in property, had already topped last year's profits, with £835,222 (£439,160) achieved.

The total dividend for the year is being raised by 30 per cent to 3.25p (2.5p) with a final of 2.4p (1.75p). Stated net earnings are shown higher at 14.94p (9.62p).

The directors say that the successful completion of the Battersea Village project has placed the company in a leading position in the specialist urban renewal field, and several such schemes are currently at an advanced stage.

Local authorities are recognising the role which the private sector can play in the regeneration of inner city areas, particularly in respect of those properties which have not proved to be wholly suitable for public sector housing, such as high-rise estates.

The company expects strong growth in this area, with more properties being offered for renewal and sale to the private sector.

The group's results were achieved on turnover up by 132 per cent, from £4.68m to £10.85m, generating a gross profit of £3.36m (£1.35m).

● comment

Regalian is enjoying some unrepeatable returns on West End properties bought from Mr Goldstone's private company. But the reason for the share price's impressive rise in recent months has little to do with desirable Mayfair addresses. The story at Regalian is about urban renewal — very fashionable but in a different sense to Mayfair. The highly acclaimed Battersea Village Project has landed Regalian sufficient kudos to open planners' doors on other projects. Success is breeding success and while the competition will undoubtedly increase, this company has the learning curve behind it and can talk confidently of over £100m of turnover already on its books to be spread over the next four to five years and compound profits growth rate of at least 25 per cent over the same period. So by 1988-89 pre-tax profits could be £5½m and probably more. Despite the recent performance, the shareprice of 154p still seems to be looking firmly into the rear view mirror — even then, a p/e of 10 surely appears inexpensive.

USM placing for Prontaprint

BY LUCY KELLAWAY

Prontaprint, the franchisor of high-speed print shops, is coming to the USM with a market value of £10.1m. Equity Finance Trust and Scrimgeour Vickers are placing 2.2m shares at 138p each to raise £3.0m before expenses, of which £1.5m will be new money for the company.

The 138p placing price relates to a 10p ordinary share at 137p in Prontaprint Holdings, the Jersey-based holding company, and a 1p "B" ordinary share in Prontaprint plc. Unless they specify otherwise, UK shareholders will receive a dividend on the "B" share and not on the ordinary shares in the company, which will mean that they are not affected adversely by Jersey's tax system. The "B" shares do not have a vote, and both classes must be bought or sold together.

The first Prontaprint shop was opened in 1971, since when the number of outlets has grown to 281. It is now the largest print chain in Europe, with 62 units overseas of which 29 are in France. The group expects that openings on the continent will proceed faster than in the UK, where expansion will increasingly come from higher turnover at existing outlets.

In addition to the print shops, Prontaprint has diversified into two other franchised chains: Fudge Kitchen, specialist sweet shops selling 20 different sorts of fudge, and Poppies, a domestic and office cleaning service.

In the past five years Prontaprint has increased profits from £150,000 in 1981 to £604,000 in the year to March 1985, after having made a small loss in 1982. The company says that this was related to an unsuccessful experiment, subsequently discontinued, of opening Prontaprint shops in Ryman stores.

Based upon the placing price, the shares are on a historic price/earnings multiple of 25 after a tax charge of 44 per cent.

The directors expect that the first dividend will be paid in January 1986. On a forecast dividend of 1.8p for the year, the yield at the placing price is 1.9 per cent.

Dealings are expected to start on June 17.

Acquisition lifts Microgen

TURNOVER for the first six months of the present year grew fourfold at Microgen Holdings, the computer bureau services group. Compared with the interim figures for 1983-84, turnover rose from £2.64m to £10.87m, and pre-tax profits increased by 2½ times from £433,000 to £1.09m.

The main reason for the leap was the inclusion of figures for the UK business of Eurocom Data, which was bought from National Westminster Bank in September last year. Microgen's other recent purchase, Scan Laser International, was not included.

The directors say that demand for computer output microfilm continues to grow steadily, as the use of computers increases. Turnover and profits have increased in the five countries in which the Hertfordshire-based company operates.

Earnings per 5p share, before extraordinary items were 6.33p against the 1983-84 figure of 3.26p, adjusted for the one-for-one scrip issue and sub-division of the shares.

An interim payment of 1.5p is proposed, compared with the adjusted figure of 0.75p. Last year the total payment was 2.5p.

● comment

The full benefits of integrating Eurocom into Microgen's own bureau operation will not be felt at the pre-tax line until 1985-86 and for the present it is turnover rather than profits which seem to be benefiting from the merger. The directors do not break-out the contribution of Eurocom but taking some basic numbers — profits of the two separate companies in 1984—the underlying growth within the reported 160 per cent improvement is more like 40 per cent. There remain three bureaux still to be merged which should be completed during the second half of this year. Assuming cost savings are gradually won, margins will improve in the second half and a £5m profit would appear to be a reasonable expectation for a prospective multiple of close to 20 at 330p.

Geevor shows recovery in second half

The Cornish tin producer Geevor Tin Mines staged a sharp recovery during the closing six months of the year to March 31 after a disappointing first half, to give full-year net profits of £1.04m, only a little lower than the £1.18m recorded for the previous 12 months.

The dividend total is maintained at 12p per share with an unchanged final of 8p, from earnings of 25.8p a share against 34.2p last time.

The main reason behind the year-on-year decline in profits was a trebling in exploration spending in the latest period to a total of £189,000.

Mr Ken Gilbert, Geevor's managing director, has pointed out in the past that it is crucial for the mine to make use of the present period of comparatively high tin prices, underpinned by the support operations of the sixth International Tin Agreement, to develop the ore reserves on which future production will be based.

Geevor's production increased during the year from 960 tonnes of tin metal contained in concentrates to 998 tonnes, and the average price received was slightly higher at £9,047 compared with the previous figure of £8,660.

Yearlings

The interest rate for this week's issue of local authority bonds is 12 per cent, unchanged from last week, and compares with 10½ per cent a year ago. The bonds are issued at par and are redeemable on June 18 1986. A full list of issues will be published in tomorrow's edition.

UK COMPANY NEWS

Metal Box fall less than expected

THE CITY, braced for a downturn at Metal Box, was relieved with yesterday's figures showing 1984-85 profits down by only £2m and the company's shares closed 30p higher on the day at 433p.

At the pre-tax level profits for the 12 months to end-March fell from £70.1m to £68.1m on a turnover down by £133m to £1.13bn.

However, the group's results were affected by a major reconstruction in South Africa in 1983-1984 and by the decision to deconsolidate Nigerian operations from April 1984.

To show the effects of these changes the directors have produced pro-forma results showing 1983-84 profits at £56.3m and turnover at £1.05bn.

For 1983-84 the Nigerian operations returned pre-tax profits of £9.6m but over the following 12 months they ran up losses of £8.6m.

The actions already taken, and further actions in hand to improve profitability, are expected to result in opportunities for further improvements later in the year.

Meanwhile, a final dividend of 11.15p (9.19p) lifts the total from 15p to 17.25p net per £1 share. Earnings per share for 1984-85 improved by 10.2p to 68.9p, partly due to the decision to deconsolidate.

Engineering, central heating and most of the group's packaging operations in the UK showed a better overall performance.

The increased dividend is a result of the improved earnings and the continuing strength of the business.

Group trading profits were little changed at £91.9m (£92.2m), and were subject to net interest charges of £23.8m (£22.1m). Associates added £7.6m (£6m).

Tax accounted for £14.0m (£15.3m) and minorities for £1.3m (£10.4m).

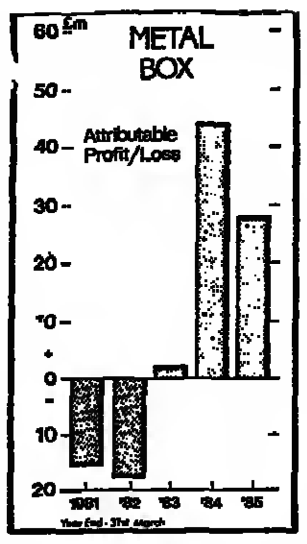
Below the line extraordinary debits accounted for £24.2m (£0.1m) and left the profit for the year £16.3m behind at £28m. The extraordinary items comprised a £9.4m (nil) provision against Nigerian subsidiaries, £18.3m (£23.1m) for reorganisation, including redundancy, and other credits of £3.5m (£23m).

After dividend payments the group retained £14.9m, compared with a previous £32.9m.

The results of the two Nigerian subsidiaries, Metal Box Nigeria and Metal Box Toyo Glass, have been excluded from the group's consolidated figures with effect from April 1, 1984.

The directors say that in their opinion the continuing import restrictions applied by the Nigerian administration have had such a severe effect on the businesses that the group's control over the subsidiaries' assets and operations is significantly impaired for the foreseeable future.

The 1983-84 comparative results include Metal Box South Africa as a subsidiary for the first six months. The directors point out that the restructuring implemented in October 1983 in effect converted the group's interests into two related companies.



The Italian and Greek packaging subsidiaries have changed their accounting year-ends and as a consequence the group's 1984-85 results include an additional quarter's figures which increased turnover by £22.3m, reduced trading profits by £0.8m and increased interest payable by £1.9m.

Mr D. I. Allport, the retiring chairman, tells shareholders that during the past few years considerable progress has been made in reshaping the company, raising its productivity, enhancing its productive capability, strengthening its financing and improving the quality of its earnings. He says this process of repositioning and streamlining the company will continue as the directors adapt further to the necessities of the competitive environment in which the group operates.

The chairman comments that following a search in the U.S. for acquisitions with a solid base and wide geographical coverage, which would provide profitable growth in markets to which Metal Box is committed, using familiar technology, the directors were successful last April in acquiring Clarke Checks for US$40m.

Clarke is well-managed, profitable and favourably positioned in the cheque printing business in the Southern States and "strengthens very substantially" the group's micrographics business in California. Since the end of last year the group's cheque printing business has been augmented further by the acquisition of Chek Print in Seattle.

Mr Allport said he believed Metal Box's strength lay in sticking to its core businesses which are predominantly in packaging. "That is the area where I believe our greatest strength lies and also our best opportunities lie."

Asked if he thought the reshaping of Metal Box over the last few years had made the group less vulnerable to a predator Mr Allport replied that a bid was "not something I would welcome, that is for sure."

See Lex

Enlarged EMAP surges to record £7.7m.

EXPANSION-MINDED East Midland Allied Press, the provincial newspaper and magazine group, made further strong headway over the second six months to finish the 1984-85 year £2.42m ahead at the pre-tax level.

The figures, up from a restated £5.3m to a record £7.72m, were achieved from a turnover of £95.64m, compared with £71.79m.

The magazine division increased its contribution by 68 per cent to £5.8m while the newspaper sector, following an excellent year, showed an improvement of 57 per cent at £2m.

The final dividend is being stepped up from 1.5p to 2.08p for a 0.73p higher total of 3p net per 25p share.

During the year the group was expanded in every major activity and the directors are confident this expansion will continue.

Mr Frank Rogers, the chairman, tells shareholders that the acquisition of Maclaren Publishers last October was by far the most important addition to the group's business that has been made.

In addition EMAP acquired the Grantham Journal, a weekly newspaper adjacent to the circulation area in East Anglia which it dominates.

The group's magazine activities now comprise 70 titles, related exhibitions and electronic publishing. Turnover of the division for the past year, to March 30 1985 rose by 43 per cent to £43.2m.

Mr Rogers says Maclaren Publishers owned 14 publications, all in areas where EMAP had no previous market presence, plus 10 exhibitions and conferences. He points out that the results achieved by the company since acquisition were better than anticipated and resulted in the maximum ceiling of £10m on the purchase price.

Group tax for 1984-85 took £3.27m (£1.88m) and extraordinary items (deferred tax) £2.5m (£1.01m). Earnings per share amounted to 7.3p (5.7p).

● **comment**

EMAP has produced a much better set of results than even its fans had been expecting. The City had been looking to the acquisition of McYaren to provide most of the excitement last year, but despite a contribution that surprised EMAP itself, most of the improvement came from the company's existing businesses. In the magazine division business and computer publications tripled profits, even after a higher incidence of bad debts from some of the smaller home computer companies. EMAP's success in tapping the teenage market has taken the combined circulation of its magazines to 2.4m, a base from which it will expand mainly by more launches, although it is currently holding talks that could add a few more titles by acquisition to its portfolio. Profits of more than £10m look within reach for the current year, which after a 40 per cent tax rate puts the shares, up 5p to 138p, on a p/e of 13. The price has risen sharply on takeover hopes in the last few months, but as hopes subside the company's trading record alone justifies the premium of the sector.

Aitken up 78% thanks to U.S. buy

BOOSTED significantly by a first full-year contribution from National Securities and Research Corporation, pre-tax profits at Aitken Hume International rose by 78 per cent in the year to March 31 1985.

NSRC was acquired in March 1984, and supplied more than half of the group taxable surplus of £6.78m for the year under review. This compared with a result of £3.8m in the previous year.

Mr Jonathan Aitken, chairman of the group which recently made an abortive attempt to merge with newspapers concern Fleet Holdings, considers that Aitken Hume—an investment management and financial services group—has achieved a strong base from which to build its financial activities in the UK and North America.

He adds that under the present management the group has now completed a five-year period of continued growth from a 1981 net profit of £160,000 and earnings per share at an adjusted 2.53p. For the year past the comparable figures were £5.57m (£3.34m) and 23.72p (23.31p) respectively.

The directors have recommended a final dividend of 4.75p per share, a rise of 0.75p, for a total of 7p (6p). The dividend will account for £2.23m (£1.04m).

Gross revenue rose by more than £10m to £30.48m, and produced operating profits of £8.74m (£4.4m). Interest payable, excluding that of the banking division, was much higher at £1.96m (£602,000).

Investment management in the U.S. was the largest contributor to the taxable outcome, adding £4.15m, and dwarfing the performance from similar activities in the UK, which made only £787,000. Mr Aitken says that the domestic division has continued to develop its product range with two new unit trusts.

The chairman says that the NSRC result was excellent, with pre-tax profits of U.S.$5m (£3.95m). The result reflected strong growth in existing mutual funds as well as the introduction of two new funds. One of these, the National Securities Federal Trust, attracted more than $200m in its first six months of operation. Pension fund management in the U.S. experienced difficult trading conditions, but there are now signs of an improvement.

● **comment**

Only now does the true value of Aitken Hume's 1983 acquisition of the U.S. fund manager National Securities and Research Corporation become apparent. Funded with an unpopular three-for-two rights issue, the New York business is more than pulling its weight, contributing 61 per cent of group profits. Indeed, its contribution has compensated for a sharp fall in UK fund management profits—hit by the poor performance of U.S. and Japanese high-technology funds—and a smaller decline in banking profits, which have been trimmed by tighter accounting treatment of leasing deals. The group plan now is to revive the UK fund management business with new funds, new staff and a marketing drive to create a broadly-based business; corporate finance which generated some spectacular successes (and failures) in the past is no longer at the heart of things at Aitken Hume. The aim is for steady growth—say 15 to 20 per cent a year increases in earnings per share—to give shareholders a solid return on the asset base which has been so rapidly built. The City has yet to be convinced that the company can be that patient, pricing the shares, up 8p to 158p, on a p/e of 6½ at a substantial discount to other fund managers.

Food profit growth helps Argyll advance to £53m

WITH THE bulk of growth coming from its food side, Argyll Group, food and drink retailer, lifted pre-tax profits by 33 per cent from £40.07m to £53.12m for the year to March 31 1985, on turnover, excluding VAT, up 16 per cent at £1.68bn, against £1.45bn.

The result was slightly better than market estimates of £52m and the shares rose 7p on the news and later closed 12p higher at 330p.

Operating profits climbed by 28 per cent from £44.72m to £57.26m, of which food accounted for £44.19m (£33.88m) and drink £13.07m (£12.14m).

Earnings per 25p share allowing for the actual tax charge of £13.31m (£6.01m) were 20p (17.6p) and 17.3p (13.4p) on a notional 35 per cent charge. The final dividend is raised by 0.9p to 4.15p net for an increased total payment of 5.25p (5p).

Extraordinary charges amounted to £11.5m (£3.54m) and comprised £10.06m for the future costs of the restructuring of physical distribution and retail trading identities, less tax relief, and £1.44m for the costs of reducing investment in Scotch whisky production.

Mr James Gulliver, the chairman, says the food division made a good start to the current year with sales in line with expectation and a pleasing volume growth performance. This year the company should achieve its target of 20 Presto food market openings representing 374,000 sq ft of new sales area and, with other retail activities, a total new sales area in excess of 400,000 sq ft.

This new store opening programme is heavily weighted towards the end of the financial year. It will, taken with the on-going store development programme and store identity initiative, result in a major increase in Presto's national representation over the next few years, the chairman states.

In the 1984-85 year, Presto increased its turnover by 18 per cent to £718.6m and pre-tax profits by 35 per cent to £20.15m—its net margin rose from 2.4 per cent to 2.8 per cent. During the period Presto has continued its own label development with major frozen food, provisions, and wines and spirits product launches, achieving almost a 50 per cent increase in own label sales.

Own label products, including Basics generic products, now account for 24 per cent of Presto's packaged grocery sales. It is planned to raise this proportion to over 30 per cent in the next two years.

The drink division has traded well under difficult conditions. But Mr Gulliver says this year will not be any easier with uncertainty over the likely effect of next October's 20 per cent increase in federal excise tax in the U.S.

The company is making steady progress in its aim to develop a broadly-based drink business and is achieving an attractive return on a tightly managed capital base with currently only a nominal capital.

Mr Gulliver says its objective is to build a growing portfolio of owned and agency brands, in the UK, the U.S. and other world markets. This, he says, will be achieved through both internal growth and where possible acquisition.

The expansion of its off-licence stores which, including retail activities, now total almost 1,000 stores, provides substantial opportunities for the introduction and development of brands in the growing UK take-home drinks sector.

The company will continue to pursue all opportunities for internal growth and for growth by acquisition both in the UK and the U.S., and the chairman is confident about group prospects.

Argyll has begun the second phase of its longer-term plan to bring the net margin of its food division into line with best industry standards (Argyll's net food margin rose from 2.6 per cent to 3.03 per cent in 1984-85).

The efficiencies expected within the next three years, as a result of the programme of change, will benefit significantly Presto's turnover and operating profit, as well as its working capital ratio. In addition to improving net operating margins, a material reduction in stock-holding at store level, in excess of half of one week's stock—a fall of at least £10m—will also be achieved over the next three years.

The implementation of this programme will involve some considerable one-off costs in terms both of capital and revenue. The principal capital cost relates to the new regional distribution centres—where £8m was spent last year and a further £15m will be spent over the next two years—and the new retail identity programme which will involve capital expenditure estimated at £8m.

There will also be fixed asset write-offs associated with the closure of a number of small distribution depots to be replaced by the new regional centres, and with store conversions and closures. Revenue costs will include mainly the transitional costs to be incurred on moving from the existing distribution basis to the new one.

Total fixed asset write-offs is expected to be £10.1m after tax, of which just over half will be incurred in the current financial year and the balance next year.

See Lex

Electrocomp. growth continues

GROWTH CONTINUED into the second half at Electrocomponents, and the group finished the year 1984-85 with taxable profits up by 33 per cent at £29.59m.

The rise in pre-tax profits, which reached £22.22m for the previous year, was achieved on turnover ahead by £34.72m at £164.02m. Mr R. A. Marler, the chairman, says that several of the group's subsidiaries—namely Electroplan, Mesa, Pact, RR and RS—all achieved record sales and profits in the period.

He adds that despite continued softness in some sectors and the nervousness in the semi-conductor industry, the current year to date has witnessed growth in sales and profits.

The directors are to propose a final dividend of 3.65p on the 10p ordinary shares, which brings the year's total to 5.25p. This compares with a total of 4p last time, when the final was 2.7p. Earnings per share show a rise of 3.9p to 16p.

Cost of sales accounted for £101m, up from £78.98m, leaving gross profits of £63.06m against £50.32m, and distribution and administration costs came to £34.11m (£28.61m). The pre-tax figure was struck after interest received at £1.09m (£873,000) and interest paid at £470,000 (£353,000).

The tax charge was up from £9.89m to £13.09m, and minority interests took £153,000 from the accounts (added £42,000). Attributable profits for the year came out at £16.35m against £11.78m last time, when there was an extraordinary debit of £598,000.

Net group cash balances are shown at £2.53m (£2.26m).

● **comment**

Electrocomponents can sidestep the worst problems of the semi-conductor market thanks to the diversity of its range with some 80 per cent of its sales in the passive sector and probably better described as industrial and electrical products rather than electronic components. So the results, showing a particularly good second half with profits up by 37 per cent, reflect well within the sector. Higher volume accounted for 15 points of the 27 per cent increase in turnover last year and while the going will get tougher in 1985-86, especially in the first half, the group is on the way to at least £35m pre-tax. After yesterday's 17p gain in the price to 285p the prospective p/e drops to about 13½. Conceivably the shares could carry a slightly better rating than that.

Parkdale 35% higher

STRONG GROWTH by its property division enabled Parkdale Holdings to offset a downturn in its financial services side in the year 1984-85. As a result, pre-tax figures for the period to April 30 showed a 35 per cent increase from £273,044 to £368,277.

Property and financial activities presently under consideration enable the board to view the future with confidence. The year's net dividend is to be raised from 0.9p to 1p per 10p share, with a final of 0.75p.

As indicated at the interim stage, the financial services side has experienced a difficult year (profits down from £102,810 to £40,488) and accordingly, internal reorganisation within this division has taken place. As a result, the board says it is better placed to benefit from the proposed changes in the field of pensions legislation.

Property operating profits more than doubled from £246,953 to £503,315, of which £367,408 (£179,137) was from rentals.

Total turnover, including rentals, was up slightly at £1.2m (£1.13m). After-tax profits came out ahead from £183,602 to £262,674 and stated earnings per 10p share rose from an adjusted 1.71p to 2.45p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Aitken Hume	4.75	Aug 1	4	7	6
Argyll	4.15	—	3.25	5.25	5
Deelkraal	20¶	Aug 7	10	30	10
Doornfontein	140¶	Aug 7	120	220	200
Driefontein	195¶	Aug 7	170	310	275
EMAP	2.08	—	1.5	3	2.27
Electrocomponents	3.65	—	2.7	5.25	4
Guinness int.	2	Aug 9	1.82	—	6.44
Kloof Gold	250¶	Aug 7	200	360	330
Libanon	210¶	Aug 7	140	330	250
Thomas Locker	0.92	July 26	0.92	1.3	1.3
London & C'side. int.‡	1.7	July 30	—	—	1.3
Metal Box	11.15	July 26	9.19	17.25	15
Microgen	1.5	Aug 1	0.75*	—	2.5*
Parkdale	0.75	—	0.9	1	0.9
Plaxtons (GB) int.	1.5	July 13	1.5	—	4.5
Regalian	2.4†	—	1.75	3.25	2.5
Standard Fireworks	5.75	Sept 6	5	5.75	5

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ South African cents throughout.

UK COMPANY NEWS

Alexander Nicoll unravels Bunzl's hostile bid for Brammer

No punches pulled in bitter battle

BREVITY is just one of the extraordinary aspects of the battle for control of Brammer, the bearings distribution group. Shareholders meet on Friday to decide the fate of the company just 23 days after Bunzl's hostile bid was announced, and nine days after its formal offer—since increased—was posted.

The vote will not be on the paper group's £131m bid. Brammer's owners—some 45 institutions hold a majority of the equity—will be asked to approve the £44m acquisition of Energy Services and Electronics, a company with an indifferent record overall, but an extremely successful core business: renting and selling electronic testing equipment.

Whatever their attitude to the logic of the ESE purchase and to the Brammer management's record, a standard nod-through would deprive shareholders of the opportunity to take Bunzl paper worth 437p per Brammer share at yesterday's close, or 420p in cash. It is an opportunity which is bound to tempt those who held Brammer shares when they hit a 14p low last year.

Bunzl, headed by Mr James White, managing director, has pulled few punches in its attempt to take Brammer with a fast knock-out. Because it does not want to buy ESE—Bunzl's bid will lapse if the ESE deal is approved—it has had to run a lightning campaign, featuring heavy advertising, a swift increase of its initial offer and some hard words from Mr White and his merchant banking advisers, S. G. Warburg.

Mr White, 47, has made Bunzl a City favourite through its nimble switch from cigarette filter manufacture into U.S.-dominated distribution of a much broader range of paper and plastic products. In launching the bid for Brammer, which would bring Bunzl into a new area of distribution as well as helping to restore the UK/U.S. balance, he has also displayed a high degree of showmanship.

Bunzl raised expectations of a bid last September when it bought a 4.6 per cent stake in Brammer. Less than six months later, the stake was sold because, Mr White says, Bunzl's share price was weak after its £55m rights issue and Brammer's was too high for a full bid to be contemplated. The sale boosted Bunzl's share price and netted £1.5m profit.

Mr White had not, however, put Brammer from his mind. He held an apparently innocent meeting with Mr John Head, Brammer chairman, and Mr Robbie Ffoulkes-Jones, joint managing director. Since bidding, he has turned that encounter described by the Brammer executives simply as a social event, into a weapon against them.

Tough language in support of a takeover bid is now standard in the City. But there is no doubt that Mr White has warmed to the pugilist's role, cheekily taunting the defence. He has alleged that he had discussed the two companies' compatibility with Mr Head, that Brammer has had a poor record in diversification and in U.S. acquisitions, and that its margins have been declining.

Bunzl's gastic tactics, in view of its passionate aversion to ESE, have been dictated by the timetable. But if its methods in approaching and making a bid have been unusual, Brammer's must also raise some questions.

Mr Head, who founded Brammer's main subsidiary Bearing Services (BSL), says ESE was identified last year as a desirable acquisition and that talks were held with its chairman, Mr Frederick Rollason, and managing director, Mr Patrick Robson. Agreement could not be reached because of ESE's troublesome loss-making subsidiary Neve Audio, which makes sound-mixing equipment and was then in the process of developing a new digital system.

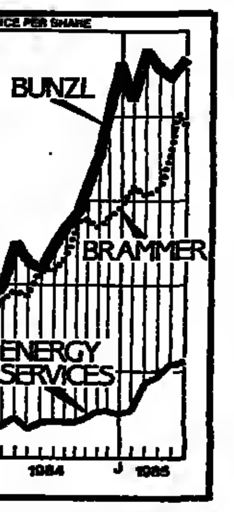
Despite the apparently friendly relationship which had developed, Brammer did not step in when ESE this year received an unwelcome reverse bid from shell company Peek Holdings, backed by former ESE executive. The bid all but captured ESE, commanding 49.7 per cent of its equity.

Even after that offer lapsed, Brammer moved without securing the agreement of ESE management. On May 17 it picked up 14.9 per cent of ESE's loose equity and announced a £40m bid. On the same day, Mr Rollason's consultancy agreement was extended by one year and Mr Robson's salary was increased by £7,000 to £45,000. After Bunzl's surprise bid was announced on May 22, ESE quickly agreed to a £44m bid from Brammer. Under that agreement, which would expand Brammer's equity by more than a third, Mr Rollason and Mr Robson are both scheduled to join Brammer's board.

Brammer shareholders, in considering whether to approve the ESE purchase, must block their ears to the noise, such as Bunzl's unfair accusation of "poison-pill" tactics and Brammer's rebuke from the Takeover Panel for taking the Panel's name in vain.

Most importantly, they must consider whether the share price of a combined Brammer/ESE group is likely, in the absence of a bidder, to approach either the potential offered by Bunzl paper or the 420p cash alternative, after capital gains tax has been taken into account. For those considering income, Brammer has matched the dividend promised by Bunzl.

Brammer is barred from forecasting its share price. But City supporters would argue that the 16 per cent increase in pre-tax profits to £12m, forecast for 1985, is likely to be equalled by Brammer alone in 1986. With ESE, following the sale of Neve Audio, said by ESE to be imminent, Brammer could have pre-tax profits of about £19m in 1986, given a 46 per cent profit rise forecast for ESE this year and a somewhat smaller increase next year. A price/earnings multiple of about 15 would put Brammer's share price close to the 420p cash offer, according to Brammer supporters.



Brammer is not a traditional takeover target with profits just around the corner. It has built up a high reputation in the City for its consistent growth, and considerable respect in its own marketplace. Mr David Ewart, chairman of key supplier RHP, says: "We have had an excellent relationship with Brammer as a major customer. We value that relationship highly. They are an efficient outfit and have looked after us in our own times of trouble."

With a dominant 40 per cent share of the UK bearings distribution market, Brammer has commanded high margins, despite Mr White's disparaging remarks. By a series of acquisitions over the past few years, it has also halved its dependence on bearings. In addition to several specialist companies in the U.S. Brammer has sought to expand its distribution of electronic components, and particularly of modern power transmission equipment. This is where ESE's Livingston Hire business, albeit mainly a rental operation, comes in.

"There is demand from our base of 50,000 customers for measuring equipment and controls," says Brammer's Mr Ffoulkes-Jones. "It is not an area which has been very well served in the UK, and we think the demand should be handled through a specialty division rather than through the depot system now used by Brammer."

There is no doubt that the market tapped by Livingston and by its two UK competitors is still expanding and is highly profitable. But ESE still has to dispose of Neve Audio, and also has a radio telephone and oil service subsidiaries which would not fit well in Brammer. The expansion of Brammer's equity to pay for ESE would be substantial, but the purchase would not result in high gearing or, provided Neve is sold, heavy earnings dilution.

Bunzl is clearly attracted by the growth potential and high margins obtainable in Brammer's businesses, perhaps by comparison with its lower-margin paper businesses. Like Brammer and ESE, it is accustomed to quick filling of customer orders, and Mr White even has experience of the bearings industry through a 10-year career at SKF.

Though it is not clear how he would achieve an increase in Brammer's margins, there is no doubting Mr White's management skills. The City kudos attached to Bunzl's revitalisation made it one of the stock market's strongest performing shares last year. This year, the announcement of a rights issue produced an extraordinary 40p increase in its share price to 483p.

Mr White does not claim an exact fit with Brammer. Instead, he concentrates on Bunzl's management skills in distribution, and particularly on its experience in the U.S. Perhaps most tellingly, he is offering cash at about 18 times Brammer's prospective earnings.

If Brammer loses, it is not certain that it will be sold to Bunzl. The offer still remains to be accepted by shareholders. But its management would have suffered an extraordinary no confidence vote.

Premier Oilfields surges to £4.5m

By Dominic Lawson

PREMIER Consolidated Oilfields, the UK oil exploration company yesterday announced taxable profits of £4.5m for the year to March 1985, easily overtaking the previous year's pre-tax return of £1m.

The main reason for the record result was the first income from Premier's one eighth stake in the Wytch Farm oilfield, acquired in May last year.

Premier also managed a turn round in its Trinidadian operations, replacing a string of losses with after-tax profits of £262,000.

Mr Roland Shaw, Premier's rumbustious chairman, proclaimed that this was "the first year in which the company had come up with solid high quality earnings, which will provide us with a base for future growth and will shelter us from oil price uncertainties."

One less solid element in Premier's results was an exchange gain of £1.1m, as the company realised the benefits of an earlier switch of liquid assets from sterling into dollars, when the exchange rate was about $2.40.

Turnover reached £9.8m (£5m in 1984) with UK oil and gas sales accounting for over 50 per cent, and the balance, together with Trinidad sales, coming from Italian gas and Greek and U.S. oil production.

Operating profits were £3.2m against a £110,000 loss in the previous year. Interest and dividend income of £1.5m were largely offset by an interest bill of £1.2m.

After-tax of £791,000, profits were £3.6m, as against just £43,000 last year. Earnings per share were 2.34p (0.93p), but Premier will not be paying a dividend, and is sticking to its policy of offering shareholders a one-for-ten share bonus issue.

Yesterday Premier's share price gained 2p to close at 49p, compared with the equivalent of 70p which Carless had offered with its own all-share bid.

● comment

Having only recently escaped from the clutches of Carless Capel, Premier Consolidated Oilfields has got into the habit of looking over its shoulder. This is at least part of the reason for the up-beat tone of yesterday's statement. Although it is nice to see income flowing from Wytch Farm, it is anything but unexpected. The key, as with all oil exploration companies, is future. If only BP can get local planning authorities to agree, a doubling of Wytch Farm output is possible by the end of next year. Similarly, Premier has come into some luscious acreage just off the Dorset coast, in the ninth round of oil licences, but a great deal of local goodwill may be needed to turn those fine prospects into oil and then into money. Perhaps the best news actually in the results was the sudden improvement in Trinidad, which had previously been something of a drain on manpower and revenues. This now seems set to be a reliable source of income for some time to come. But investors in Premier are the sort who want more than sensible cash flow and a clean balance sheet. They want excitement. The best bet for that must be Premier's mammoth spread of acreage in the unexplored Mid North Sea High. The first well on this tract is likely to be drilled this year. It could be a bonanza, but the odds must be at least 50 to 1 against. At 49p on 2p, the shares are just marking time.

Aran's offer for Petrolex unconditional

Aran Energy, the Irish oil and gas exploration company which last month staged an audacious takeover bid for Petrolex, the UK oil company, yesterday declared its £15.8m offer unconditional.

Aran, advised by Baring Brothers, said it had received acceptances from Petrolex shareholders representing 49.1 per cent of the company's equity. Together with 1m shares (6.4 per cent) acquired by Aran on May 14, the Irish company now owns or has received acceptances for a total of 8.66m shares or 55.5 per cent of Petrolex's issued share capital.

Aran's last-minute bid for Petrolex topped an agreed £13.4m bid by Saxon Oil. Saxon's advisers, Schroders, said yesterday that its offer would remain open until June 21 or until Aran declared its offer wholly unconditional. Aran's share and cash alternative closes on June 17.

Resource approach

Resource Technology, the Luton-based electronics supplier, said yesterday that it had received an approach from a potential bidder. Resource shares rose to 45p before closing at 40p, up 10p on the day. A further statement is expected today.

A £290m start for big Olympic Dam project

BY KENNETH MARSTON, MINING EDITOR

THE GO-AHEAD has been signalled at last for the controversial Olympic Dam copper-uranium-gold project in South Australia of Western Mining (51 per cent) and British Petroleum (49 per cent).

Just 10 years from the discovery of the huge mineral deposit the partners have decided that an initial one-third capacity underground mining development in commercially viable. It will cost some A$550m (£290m) and reach first production in 1987.

This phase will have a life of at least 15 years. Gold production will begin in 1987 at an annual rate of up to 90,000 oz. That of copper and uranium will follow in 1988. Initial copper output will be 30,000 tonnes a year, rising to 55,000 tonnes in the fourth year while the projected annual uranium oxide production will be 2,000 tonnes.

The partners, who are to decide on a construction start date during the next six months, envisage that annual output levels could eventually rise to at least 150,000 tonnes of copper together with associated products.

The deposit, one of the world's biggest, has been divided into eight mine areas. Indicated reserves have been put at 2bn tonnes grading 1.6 per cent copper, 0.6 kg per tonne uranium oxide, 0.6 g per tonne gold and 3.5 g silver.

Within this reserve there is an estimated 450m tonnes of higher grade material containing 2.5 per cent copper, 0.8 kg per tonne uranium oxide, 0.6 g per tonne gold and 6g per tonne silver. The potential exists for the continued extension of the currently-identified proven reserves of higher grade ore, it is stated.

Sales talks have begun and potential customers for the copper have been identified in Europe, the Far East and Australia: those for uranium ore in Europe, the Far East and the U.S.

Under the joint venture arrangement BP was given its 49 per cent interest in return for ensuring that funds were available to finance the cost of bringing the operation up to its full projected capacity, estimates of which have ranged over A$1.7bn.

Tebbit stays out of Phoenix row

BY LIONEL BARBER

MR NORMAN TEBBIT, the Secretary of State for Trade and Industry, has blocked moves to draw the government into the increasingly bitter boardroom row at the Phoenix Timber Group.

Mr Tebbit was asked to prevent Phoenix directors from trying to discover the identity of beneficiaries of certain trusts which have large holdings in the company. The request came from Mr Michael Hermann, the trustee who, along with a group of shareholders, wishes to take effective control of the company without making a bid.

Mr Tebbit has told lawyers acting on behalf of Mr Hermann that the government is not prepared to grant exemption from disclosure of identity. The only exemptions made so far under the Companies Act have been for heads of state or foreign government interests.

Mr Dennis Cook, Phoenix's chairman, said yesterday that he would press for disclosure of the identity of the trust's beneficiaries, some of whom are believed to be Soviet Jews and relatives of the company's founder, Mr Alexander Gourvitch.

Mr Hermann had argued that to reveal the Russians' identity could put them in danger in the Soviet Union. The Government took the claims seriously but took the view that one way to protect the beneficiaries would be if Mr Hermann and his supporters withdrew from the boardroom battle.

Mr Herman and his supporters control about 30 per cent of the Phoenix shares. More than half of those shares are in Mr Hermann's trusteeship.

The dissident shareholders have mobilised enough support to call for an extraordinary general meeting to put three new directors on the board: Mr Geoffrey Hoffman, Mr David Edelmon and Mr Michael Teacher.

In a separate development yesterday, Mr Hermann and his supporters were forced to delay issuing a hard-hitting circular to shareholders criticising the Phoenix management and explaining why they have forced an EGM.

The delay was apparently caused by legal objections to the phrasing of a proxy drawn up by Mr Hermann's side. Mr Hermann said the circular would definitely be sent out today (Wednesday) despite Phoenix objections.

Osborne & Little beats forecast

Osborne & Little, the wallpaper and fabric designer, comfortably beat the pre-tax profits forecast made when it came to the USM earlier this year. At the time it was expected that profits would double to £735,000 but for the year to the end of March the figure was £763,000, compared with the £305,000 for the previous year.

The chairman, Sir Peter Osborne, says that the year finished strongly and adds that the first two months of the present year have shown an encouraging improvement over the corresponding period in 1984-85.

The result was achieved on turnover up by 47 per cent to £4.27m from £2.91m the previous year. Exports rose by 56 per cent to £1.17m (£752,000), representing 27 per cent of turnover, up from the previous year's 26 per cent.

With tax at £330,000 (£122,000) and no extraordinary items compared with a debit the previous year of £76,000, attributable profits came out at £443,000 (£107,000). Earnings per 5p share were 6.55p, up from the 2.71p figure for 1983-84.

As stated in the prospectus there will be no dividend for this year. It is intended to make the first payment at the interim stage.

● comment

Osborne and Little has beaten the 735,000 forecast made four months ago when it came to the USM by a margin just large enough to keep its shareholders happy. The company has now reached a size where it can no longer be expected to double its profits as it has done in each of the last three years, although it is hatching enough plans for expansion to keep it moving ahead smartly. Six new wallpaper and fabric collections are being launched this month, representing a 30 per cent increase in the existing range. Base linen in six different colour ranges will be in the shops by the spring, and the company is also designing its first range of tiles and lamps. It is opening a showroom in Islington to service the contract market for which the company is adding a new line of fabrics. It is now looking for three more showrooms in and outside London, and is also increasing its export efforts particularly into the U.S. market. Marks and Spencer has ordered four new colours for their Osborne and Little designed wallpapers which they will sell in 100, rather than 25, outlets. That should add up to for the current year, which puts the shares at 155p on a fancy p/e of 19 (35 per cent tax).

MAI plans restructure of Lloyd's broking side

Mills & Allen International has revealed plans for restructuring its Lloyd's insurance broking interests to enable it to concentrate its resources on selected specialist areas which have good growth prospects.

The group's present Lloyd's insurance broking company, Paul Bradford, is the amalgamation of the business of Hugh Paul and of a number of businesses acquired during the last three years — notably the reinsurance and marine business of Robert Bradford Hobbs Savill and the reinsurance business of Edinburgh and General Insurance Brokers (EGIB).

The Bradford and EGIB businesses were acquired as part of the transactions in 1982 and 1983 under which Mills acquired the Guy Butler money broking group and the Andrew & Booth retail insurance group.

Mills & Allen has agreed to transfer to the Clarkson Puckle group the international reinsurance and marine accounts for a consideration payable over two years of 75 per cent of the brokerage that is retained out of the present figure of £1.4m.

At the same time it has agreed to sell the controlling interest in David Gyngell Insurance brokers (formerly EGIB) to the management of that company. Both agreements are subject to contract and to the receipt of necessary consents.

Rush & Tompkins £4m deal

Rush & Tompkins Group is to pay £4.3m for a Central London portfolio of office investment properties from General Accident Fire and Life Assurance Corporation.

The portfolio consists of properties in Grosvenor Gardens, and Mortimer and Wimpole Streets, and provides 82,000 sq ft of net space. All properties are fully let and produce an annual rent in excess of £410,000.

Chartered surveyors believe that the current open market value is more than the price paid and that after some refurbishment and restructuring of leases, the value of the portfolio could be significantly enhanced.

COMPANY NEWS IN BRIEF

Further acceptances of BAT Industries' offer for Hambro Life have been recieved in respect of 65,269 Hambro Life shares (0.05 per cent). BAT therefore owns or has recieved acceptances in respect of 120.45m shares (99.66 per cent).

* * *

Scottish and Universal Investments (SUITS) has bought Wiggins Teape Orchard of Christchurch. It will become part of the printing and publishing division and be renamed Harrison Decorative Papers, working with Suits existing company, Harrison and sons of High Wycombe.

* * *

Reckitt & Colman Australia, the 69.73 per cent owned offshoot of the UK parent, raised pre-tax profits by 14 per cent from A$17.7m to $20.16m (£12.9m), on sales ahead 7 per cent from $150m to $160.44m (£102.8m).

* * *

The rights issue by Sater has attracted acceptances in respect of 8.66m new ordinary 5p shares, representing 86.4 per cent of the offer. The remaining 1.36m shares have been sold in the market and the proceeds, amounting to about 5.5p per new share, will be distributed to non-accepting holders by June 24.

* * *

Thomas Locker (Holdings), the Warrington-based general engineer, increased pre-tax profits in the year to March 31 1985 by 10 per cent to £2.48m (£2.25m) on turnover up by £3m to £29.3m. An unchanged final of 0.92p is proposed, making the total payment 1.295p (same). Earnings per 5p share were 3.15p (3.19p).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Ashdown Investment Trust, Body Shop International, Chemring, El Oro Mining and Exploration, Exploration Company, Raeburn Investment Trust.

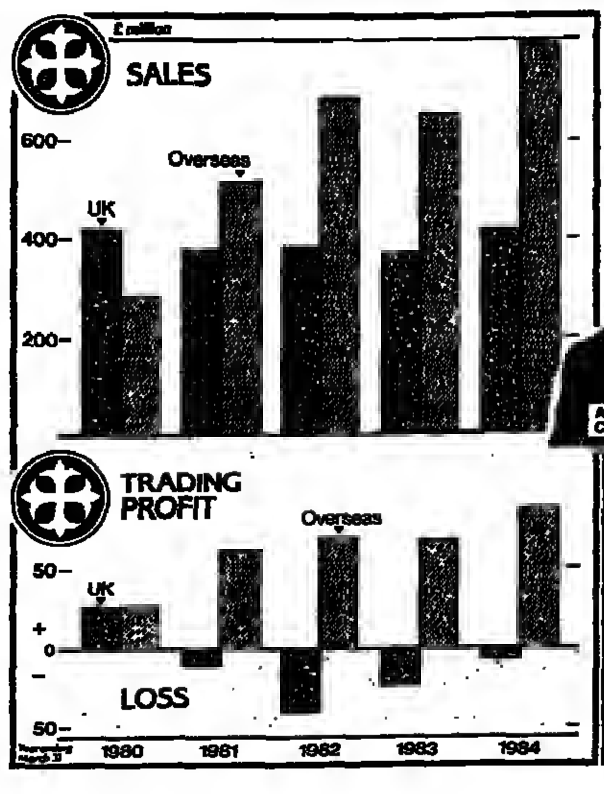
Finals: Bassett Foods, Beecham, Cullen's, ODT, Dominion International, Electra Investment Trust, Gas/Rosen Organisation, Great Portland Estates, M and G Second Dual Trust, Oceana Development Investment Trust, Pilkington Brothers, Rowlinson Securities, Schroder Money Funds, Slaters Food Products, Sound Diffusion, Tesco, Tex Abrasives, Velor.

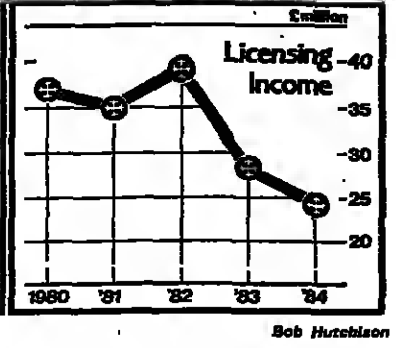
FUTURE DATES

Interims—	
Arbuthnot Japan Growth Fund	June 19
Arbuthnot Sterling Fund	June 19
Arbuthnot Yen Bond Fund	June 19
Union Discount	July 17
Finals—	
Barlows	June 14
Country Gentlemen's Assoc.	June 28
Erskine House	June 18
LRC International	June 20
Lowrie	June 20
Meantview Estates	June 24
PCT	June 19
Scott Greenham	June 17
Sterling Industries	June 13

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ





Bob Hutchison

Pilkington seeks a marketing edge

Ian Rodger explains the UK glass group's revitalised strategy

IT IS difficult to think of Pilkington Brothers, the world's largest maker of flat glass, as lean and mean.

At its headquarters in the quiet Merseyside town of St Helens, Pilkington has been the epitome of the long established, family controlled, paternalistic company, providing virtually a private welfare state for employees and pensioners and their families.

And in the small club of international glass producers, Pilkington has long been known as a bit of a softy, a company that has not had to work as hard as the others because of all the money it was making by selling its now universally adopted float glass technology.

Antony Pilkington, chairman since 1982, seems to fit perfectly into this culture. Polite and phlegmatic, with a dry, self-deprecating humour, he gives the impression that he would be more comfortable in the members' pavilion than in the executive suite.

But the word in Paris and Pittsburgh, the homes of the group's biggest competitors, St-Gobain and PPG Industries, as well as in St Helens is that Pilkington, under his leadership, is changing dramatically in shape and mood.

Starting from the top, the board of directors has been cut from 17 members to 12, and compulsory retirement at 63 introduced. Responsibility for the operating divisions has been wrenched from individual board members and given to young chief executives.

At the shop-floor level, Pilkington still takes care of its people, but it also demands more of them. The company has halved its 18,000 labour force at St Helens in the past five years, and pushed through a major overhaul of work practices. At its new Greengate float glass plant, for example, eight categories of production worker have been boiled down to one class of glassmaker. Everyone is salaried and no one is paid for overtime.

But these are just the outward signs of a radical change in the group's underlying business philosophy. After their dazzling success in the 1950s with float technology, Pilkington's process engineers, led by Sir Alastair Pilkington, held clear sway within the group. They convinced their colleagues that they could pull off other similarly profitable feats and continued to lead from the laboratory for the subsequent two decades.

Unfortunately, however, there were no successors to float. In the 1970s, the directors had high hopes for CemFil, a glass fibre additive for concrete, and a couple of other developments, but none caught on in a big way.

Meanwhile, the props for the group's relatively comfortable life were eroding. Licence income from float was due to start declining in the early 1980s as the patents expired. And, ironically, the adoption of the float process by other glassmakers was undermining Pilkington's competitive edge in the market. "We realised that the quality of glass (made by the leading producers) these days was pretty well identical," Antony Pilkington says. "Now the only way to get an edge on the competition is to emphasise the marketing end. But that is easier said than done if you have a company with a long tradition that based its success on operating complex plants. We almost need to grow a new breed of person."

Pilkington's recognition of its need for new initiatives coincided with a rare opportunity to expand its position in the world glass industry. In 1979, BSN-Gervais Danone of France decided to sell its glass-making businesses in France, West Germany and Belgium. Although the glass industry was mature and some people argued that the group should be diversifying away from its base, Pilkington felt it was better to stick to something it understood, and so made a bid. The West German Cartel Office refused to allow it to buy all the BSN subsidiaries so it took only Flachglas, the German one, for £141m.

Three years later, another opportunity came along, this time to buy a 30 per cent stake in Libbey-Owens-Ford, the second largest U.S. producer. Even though Pilkington was by then suffering from recession, it decided to make the £64m investment.

These huge new commitments to the glass industry substantially increased the pressure on the directors to run their existing operations better than before. Their problems were particularly acute in Britain. "From May 1980, we had two years of steady monthly losses in the UK," Antony Pilkington says.

Until five years ago, the group had a near-monopoly share of over 80 per cent in the UK flat glass market, but that made it shy away from competing with its customers in downstream glass fabricating markets. Even today, it processes only about a fifth of the glass it makes in the UK whereas Flachglas, its West German subsidiary, sells 60 per cent of its glass to wholly owned downstream businesses. Now that Pilkington's share of the UK glass market has dropped to about 50 per cent, it badly needs to boost its presence in finished products.

Until the new breed of person Antony Pilkington speaks of comes along, the group is taking a number of steps to increase its market sensitivity and speed its decision-making process. The first step has been to loosen relations between the board, with its links with the past, and the operating divisions, which have to deal with the new world.

As of next year, there will be only seven executive directors and five outside directors. Also, the executive directors no longer chair the boards of the five operating divisions. The divisional chief executives have clear responsibility for budgeting, manufacturing, marketing, dividend policies and industrial relations.

(Capital spending will be kept under tight central rein, at least for a while. The group has invested £380m on plant in the past five years and intends to curb spending until its existing assets yield better returns.)

A link to the board is maintained through a so-called sponsoring director through whom a chief executive can lobby the board or hear its thinking on capital spending or new policy directions.

A complex board committee structure has been simplified because of Antony Pilkington's suspicion that committees tend to block decision making.

The planning process has been altered to reflect the increasing diversity of the group's businesses. Previously, there were large semi-annual meetings where every division argued its case.

Even the group's vaunted central research and development laboratories have participated in the change. Previously, the emphasis was on process improvements, such as float. Now it is strongly oriented to product development half of its £16m annual budget is spent on projects chosen by the operating divisions.

Whether all this will be enough to make Pilks a more lively and profitable competitor in the glass industry remains to be seen, but it has made its competitors sit up and take notice. And the 1984-85 financial results, which are to be published today, are expected to show the continuing strong upward trend that has been apparent for the last two years.

Marketing training

Colleges woo employers

BY ALAN PIKE

A CERTAIN sense of timing pointed towards a sure marketing success.

Within days of the recent publication of the higher education Green Paper, with its themes of service to the economy and commercial exploitation of college activities, Marketing Pickup was launched. Its objective is to help universities and further education colleges market their services in the growing—and increasingly competitive—field of adult training.

Marketing and higher education are not two concepts which have enjoyed a natural affinity in the past, certainly so far as the UK is concerned. The idea of the commercial promotion of their activities comes no more naturally to some academics than it does to some bishops.

Consequently, as one academic at the Pickup launch observed, marketing has usually been confined to mounting a few amateur-looking stands at careers exhibitions, often promoting courses that are already over-subscribed.

But things are changing. An increasing number of universities and colleges, under pressure of financial stringency and Government efforts to promote closer links between education and industry, are trying to market themselves with a new awareness and professionalism. Marketing Pickup is an important attempt to give this new outlook wider circulation.

Since the Pickup (Professional, Industrial and Commercial Updating) project was established three years ago it has developed a series of programmes designed to help colleges identify ways in which they can meet adult training needs. The marketing programme — a new aspect of Pickup — is intended to give academic staff the skills necessary to sell their training expertise as widely as possible.

Adult training is an important area for market-conscious colleges to enter. Changes in technology and materials are greatly increasing employers' needs for flexible, sometimes individually designed, courses to update the skills of their staff.

Many colleges are ideally placed to meet these needs. But this is not always appreciated by employers. And the field is a competitive one—both the Manpower Services Commission's Skillcentre Training Agency and private training organisations are after the biggest possible share of the market.

Marketing Pickup is a boxed set of study materials designed to help colleges understand what marketing is about, and apply its principles to the promotion of their adult training products. At £149, each boxed set provides study material for five staff, tutor workbook, slides and audio-tape. Regional induction seminars are also included in the price.

"Stage one of the seminar will take the form of an attack on the vice-chancellor, principle, or whoever else in the hierarchy of a particular college is holding up the marketing of its activities," says Roy Lewis, principal of Wigan College of Technology and joint editor of the pack. "Then we will get down to training the person who will be responsible for running the Marketing Pickup programme."

Ideas in Marketing Pickup draw upon experiences at Lewis's college, which already enjoys a high reputation in the academic world for the facility with which it markets its activities. Wigan College has established its own publishing house and newspapers as a means of reaching potential customers, and surpluses from running short courses are used to pump-prime other activities including the search for new business.

"We send people out to get business, and we found it as far away from Wigan as Scotland and Cornwall," says Lewis. "My staff do not only teach. All heads of department spend considerable time out in the field."

Marketing Pickup consists of an introduction and units covering four broad themes: Marketing through research: Product and place decisions; Promotion decisions; and Pricing decisions.

Lewis's joint editor and principal writer of the pack, Graham Robinson, director of Wigan College Management Centre, insists that if colleges are going to attract more commercial customers, they must themselves become more commercial.

"A college must get its products right. It must deliver them to the right place at the right time. And it must make provision at the right price—the price which represents good value to both the buyer and seller. Marketing puts the customer at the centre of college strategy."

Two versions of the Marketing Pickup pack will be available—one for universities and the other for polytechnics and colleges of higher and further education. Demand is likely to be strong. Last year 1,000 college staff took part in workshops on marketing skills run by the Pickup team. It is hoped to sell 600 Marketing Pickup packs by Christmas.

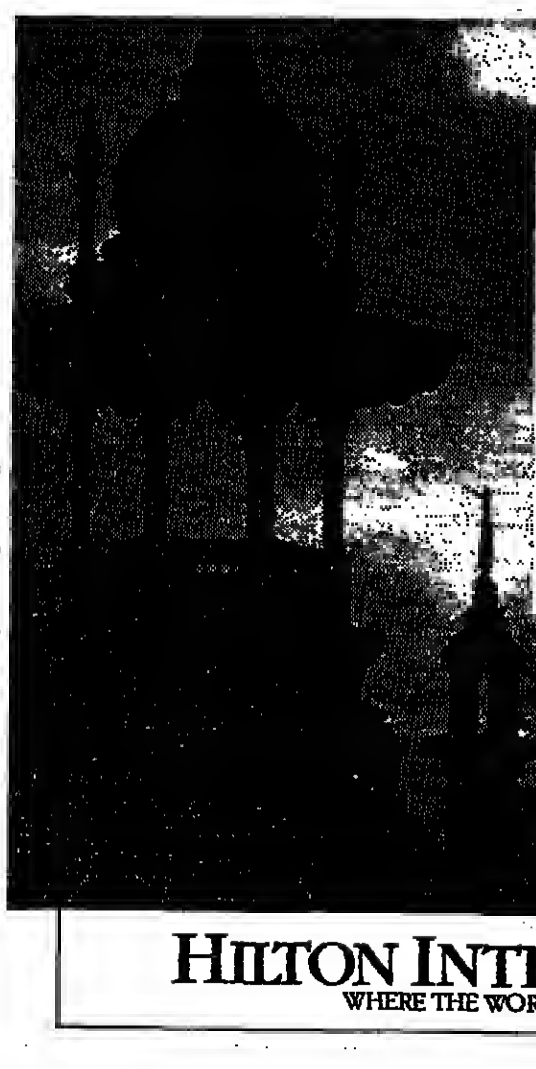
"If we are going to expand adult training we have to live in the market place and sell to industry," says Dr Will Bridge, DES Pickup Programme manager. "Education and training is realising that it has a lot to learn from marketing professionals."

Business courses

The fourth national conference and exhibition on computers in personnel, London, July 9-11. Fee: IPM Members/IMS subscribers £379.50; non-members £419.75. Details from conference administrator, Institute of Personnel Management, IPM House, Camp Road, Wimbledon, London SW19 4UW. Tel: 01-946 9100.

Strategic portfolio analysis and competitive anlysis, London. July 8. Fee: Corporate members £92; Individual and associate members £126.50; full fee £143.75. Details from Society for Strategic and Long Range Planning, 15 Belgrave Square, London SW1X 8PU. Tel: 01-235 0246.

Project management, Uxbridge. July 23-25. Fee: £350. Details from the Secretary, Continuing Education Department, Brunel University, Uxbridge, Middlesex UB8 3PH. Tel: 0895 35332 or 37188 Ext 557.



FINANCIAL TIMES SURVEY

Wednesday June 12 1985

WALES

Photographs by Roger Taylor

BUSINESS AND TOURISM CENTRE SET UP

WITH the opening of the Wales Centre in Piccadilly today by Mr Nicholas Edwards, Secretary of State for Wales (above), the Welsh have achieved an ambition that goes back 15 years.

They have watched with a mixture of envy and admiration the success of Scotland, whose prestige suite of offices just off Trafalgar Square, fronted at street level by an eye-catching showroom, has acted as a Mecca for visitors.

As far back as 1970 an attempt was made—following a Wales in London Week—to find premises in the centre of London that could act as a focal point for the country's industry, commerce and tourism. That and other attempts failed.

Today Wales has a centre at 34 Piccadilly that can stand comparison with the best. The Wales Centre is next to the Piccadilly Hotel, being given a facelift, and opposite St James, one of London's historic churches.

Near neighbours include Simpsons, Fortnum & Mason, Hatchards. Eros, when it returns, will be just 100 yards away, presiding over Piccadilly Circus.

The centre is essentially about tourism and attracting holidaymakers to Wales, especially from overseas. But it is also a meeting place for industry and commerce.

The Welsh Development Agency and Mid-Wales Development, which looks after the economic affairs of rural mid-Wales, have joined the Wales Tourist Board in launching the centre. For the first time there will be one outlet in the heart of London to promote the whole of Wales.

Anthony Moreton

Six years of Conservative government have triggered major economic changes and helped capture a quarter of UK inward investment. But in spite of successes, unemployment is set to rise

A long and painful slog

By ROBIN REEVES

MR NICHOLAS EDWARDS, the Secretary of State for Wales, was in slightly less than his usual ebullient mood when he opened a recent Commons Welsh Grand Committee debate on the Welsh Economy.

BP had just announced the shutdown of oil refining at its Llandarcy refinery in Swansea with the loss of 750 jobs and Courtaulds the closure of its last two big North Wales sites with the loss of 1,100 jobs.

"Whoever holds my office, whatever government is in power, whatever policies are pursued, there is no escaping the fact that we live in a time of vast technological, economic and industrial change, and that will continue," Mr Edwards told the committee.

"However rapid the economic growth we achieve—even if unemployment falls sharply—companies will have to close plants, people will lose their jobs and there will be painful consequences for all involved."

To prove his point more was to come. Last week Lucas Girling announced that up to 800 jobs would go at Cwmbran and Pontypool.

At the same time Mr Edwards was under attack for the Government's failure to secure for Wales a major investment project by LSI Logic, a rising star of California's silicon valley. The company opted at the last minute to go to West Germany, citing lack of clarity in British government policy, though it was delighted with its treatment and the site in Wales.

During his six years of office—the longest of any Welsh Secretary—Mr Edwards has vigorously championed the Government's economic policies. In spite of their severe impact on employment he has argued that lost jobs would be replaced by new ones in modern, expanding industries.

Certainly new sectors of Welsh industry have sprung up or expanded dramatically. Giant strides have been made by long-established manufacturing plant, not least in the still-important steel industry. There have also been marked improvements in industrial infrastructure.

But what was billed in 1979-80 as a short, sharp, shock treatment aimed at making the Welsh economy more efficient and internationally competitive—beginning with 25,000 redundancies in the steel industry in 12 months—has turned into a long, painful slog, in which the growth in the number of people looking for work is continuing.

On the credit side since May 1979, when Mr Edwards took over the Welsh Office reins 380 manufacturing plants have opened in Wales employing some 17,000 people. They include 55 foreign-owned plants employing 4,500, and an estimated 10,000 jobs in aided steel closure areas.

The biggest single source of foreign investment continues to be the U.S. But with the arrival of the Sharp Corporation and Brother Industries in Wrexham, Wales has been able to maintain its boast of having the UK's largest concentration of Japanese manufacturing plants. Furthermore, although beaten in the competition for the Nissan car project, Wales for the second year running last year won nearly a quarter of the total investment coming into the UK.

The Welsh Development Agency is continuing to fill the large amount of industrial space built as a political response in the early 1980s to the rundown of steel. During 1984-85 a record 1.5m sq ft was occupied, reducing its stock of unlet premises to 12 per cent of the total portfolio.

The agency is now giving greater prominence to its merchant banking role and investing more than £1m a month through such instruments as its recently-launched Welsh Venture Capital Fund.

Mid Wales Development too has pushed up its lettings total to 200,000 sq ft in 1984-85 as well as playing a pivotal role in securing a major Laura Ashley expansion project.

Latest industrial trends surveys from the Wales CBI also paint a brighter picture.

- Business optimism among Welsh manufacturers has been on an upward trend since last October.
- Demand has improved substantially and the rate of increase is expected to continue.
- Growth in output is expected to be the highest since 1979.
- Investment intentions have improved, with expansion of capacity rather than just modernisation of plant becoming a significant consideration.
- Numbers employed by manufacturing are increasing.
- The sharp rise in unit costs is expected to moderate.
- Export deliveries and prices have improved considerably, a trend expected to continue.

In spite of rhetoric about cutting public expenditure, gross capital spending under the control of the Welsh Office is running at the same level as in 1976-77, even if within the total there has been a drastic cut in housing expenditure.

Investment in trunk road improvements has been maintained at a high level, with an average of £115m, spent in the past three years. This is due to a rise of £126m over the next three years as projects on the drawing board for years are built, such as the A55 expressway across North Wales and the A470 dual-carriageway to Merthyr Tydfil.

A significant amount of private investment is being stimulated by urban development grants. An outlay of £19m towards 28 projects is promising to lever private investment to create total spending of £102m and the creation of 3,500 jobs.

Most prominent is the redevelopment of a significant slice of Cardiff's derelict dockland for housing, business and leisure. The Land Authority for Wales is using its compulsory purchase powers to assemble the land and clean titles so that building can begin shortly.

Many Welsh local authorities are also doing what they can within limited budgets to stimulate new industry.

None of this has been sufficient to dent Wales's historically high level of unemployment, however.

The number out of work stands at 174,400, or 16.4 per cent (seasonally adjusted), compared with 80,000 or 7.3 per cent when the Government came to power. For every vacancy there are now 25 applicants and the number unemployed for more than a year is 73,000, almost as much as the total unemployed six years ago.

Indications are that this will get appreciably worse. A study by University College, Bangor, Economic Research Unit calculates that in spite of this year's Budget emphasis on job creation, the Welsh jobless level is set to rise to more than 200,000 (above 18 per cent) over the next 18 months.

The Bangor unit estimates the full extent of the current labour slack in the Welsh economy at around 250,000—equivalent to an unemployment rate of 22 per cent.

On the other hand, the unit suggests that given a modest fiscal stimulus to GDP growth, on the basis of the Chancellor of the Exchequer's projections unemployment in Wales could start to fall in 1988.

But not only are there no signs of that happening, the Government in the meantime is pursuing two policy objectives which create difficulties for Wales: it is ending subsidies to the coal industry over the next two years and cutting back regional aid.

Scenarios for the future shape of the Welsh coal industry, in the aftermath of the year-long strike range from the loss of six pits and some 3,000 jobs to the disappearance of at least 18 pits and 12,300 of 20,000 jobs.

Whatever happens, it is clear that any investment in new capacity, such as the proposed new coking coal mine at Margam and in anthracite reserves, will not make up for job losses.

Regional aid, under the reshaped policy announced last November, is due to decline by some £60m a year in Wales by 1987-88—half the present level of aid. Welsh Office officials insist that the new policy still allows Wales to put together a very attractive package, but the general drift of policy is hardly helpful. Nor is the extension of assisted status to the West Midlands.

Indeed, the impact of these changes may have been masked by a rush of corporate investment ahead of last April's capital allowances cut.

Blotted out by power of the City

Finance

ANTHONY MORETON

The St David'e shopping complex and its asso ciated National Concert Hall, opened less than three years ago, have transformed the centre of the Welsh capital and boosted the city's attraction to shoppers throughoot South Wales

CONSERVATIVE Cabinet ministers are not normally given to rocking financial boets. It was therefore with some surprise that the Welsh financial community heard Mr Nicholas Edwards, the Welsh Secretary, accuse the City of London in March of doing less than it might to encourage investment in Wales and other traditional manufecturing centres.

Since Mr Edwards launched his attack before Cardiff Business Club rather than at some obscure political meeting he ochieved maximum impact in Wales and the City.

The Welsh were delighted. They bad claimed for years that the lack of a financial nexus in Cardiff, such as in Edinburgh, was a brake on development of the Welsh economy.

The City was less enchanted. And because the minister — o former Lloyd'e underwriter — bad coupled bis criticism of the City with a specific allegation ogainst a company he was forced to eat his words in public.

In spite of the public retraction, the essence of what Mr Edwards was saying is true. Cardiff has a small financial community because institutions have largely ignored both Woles and the needs of the Welsh economy. In turn, the Welsh economy has suffered because investment and other decisions have been based on decisions taken elsewhere, usually in London.

Mr Edwards was wrong, however, in the assumption — not made by him but advanced hy soma supporters — that this was a relatively recent phenomenon.

Wales hes never bad a strong financiol community. When coal was king, and the Cardiff stock market flonrished, there was a reasonable financial infrastructure. Bui ihose days ended with the Edwardian era and World War One, and were recreated only in shadow form in the inter-wor years.

In the 1980s Cardiff, a weak financial centre, is far weaker than Edinburgh and not as strong as either Manchester or Birmingham.

Comparisons with Edinburgh are pointless, beceuse Scotland's different history and legal system have created a financial centre that is the envy of many countries, let alone the Welsh.

Cardiff suffers even by comperison with cities such as Brislol, Southampton and Leeds, however, which all bave representative offices of the Bank of Englend. And Manchester and Liverpool each has a thriving and distinct interlocking network of financial markets and institutions.

The failure of Cardiff is partly the fault of Welsh business itself. Mr Nick Thornton, a director of the Commercial Bank of Wales, says that for successful businesses there was a cachet in being able to say thet its affairs were being bandled in the City.

"It is very difficnlt, given this attitude, for flowers to flourish in Cardiff's bare soll."

The point is taken up by Mr John Hensman, general manager of the Principality Building Society, largest of the four in Woles. "Things gravitate to London from Scotland, but they go through Edinburgh instead of by-passing it and much of the husiness sticks in tha Scottish city.

"For a Scot, it is no admission of failure to have one's affairs handled in Edinhurgh. Given the nationalistic approach of many Scottish businessmen, it is often more satisfactory for the work to remain in the country."

Offshoots

Cardiff is improving, bowever, and the Secretsry of State must take aoma of the credit for this because be has worked hard.

The Welsh Development Agency, in particular, is setting the pace under Mr John Wiliams, its relatively new chairman, and Mr David Waterstone, chief executive, in making Wales and Cardiff financially literate.

Over the past 20 years Cardiff has acquired an indigenous bank in the Commercial Bank of Wales, several offshoots of other (such as the U.S. Chemical Bank and Chartered Trust, part of Standard Chartered Bank), all the leading firms of international accountants, one or two large and internationally-minded firms of solicitors, and various brokers. A small stock market also clings to life.

Lazards has joined the WDA in the Venture Capital Fund and at least three other merchant banks are looking to develop their activities in the Welsh capital. The four main clearing banks have established regional centres in Cardiff and there is an academic pool within the two universities concerned with finance and banking.

This adds up to a less impressive sum than might appear. "What is missing is 'critical mass'—the interlinking of skills required to provide a range of activities," Mr Thornton says. "Cardiff has no cross-fertilisation of organisations such as in Jersey or Guernsey.

"There have been stirrings recently of indigenous firms of solicitors and some other professions, and these bave been joined by the accountants. This is a good thing, hut not too much should he made of it yet."

Sir Donald Walters, a director of Chartered Trust, says tha prohlem reflects the narrow base of Welsh industry.

"When steps were taken to broaden the base Wales suffered from the branch-factory syndrome. All the main financial decisions were taken elsewhere, and who needs top-level bankers for less than top-level banking decisions?"

What is needed is variety. The Commercial Bank of Wales has shown what might be done. It has set up a full commercial banking service paying attention to the small and medium-sized business market, including provision of risk capital, technological support, and consultancy work on top of conventional banking.

It will create a business centre in its Cardiff headquarters this ontumn. This will not turn Cardiff into a financial centre overnight, hut it will be another step in that direction.

Rushed deal blocks the seduction of Laura

How tight regional aid rules nearly cost Wales a top rural employer

FIFTEEN DAYS before Christmas last year, Laura Ashley announced it was to open a textiles plant in Newtown, Mid-Wales, and build its administrative headquarters in Carno, a village 11 miles away. The sighs of relief could be heard as far away as Cardiff and London.

For Ashley, desperate to expand capacity as its shop-opening programme raced ahead, had threatened to put the new plant at Helmond, near Eindhoven in Holland.

"We looked at Holland, where we already have a very modern plant because we could get no grants from the British Government," said Mr John James, managing director.

"It was an extremely attractive option and the package being offered by the Dutch was so good that we had to treat it seriously.

"The Department of Trade and Industry had told us brusquely we could not get anything towards the £7m cost of the project in Wales. But the Dutch were offering us at least £2m, which more than compensated for higher production costs there.

"In addition, building costs there were half the price of those in Wales. We could not turn down something like that out of hand."

Once it became public knowledge that Ashley was looking abroad, alarm bells started ringing at the Newtown home of Mid-Wales Development, at the Welsh Office in Cardiff and even in the DTI's London headquarters.

Officials worked overtime to put together a package to keep the company in Wales. Within a matter of weeks they succeeded.

"No planner in his right mind would have put Laura Ashley in Carno," says Mr Peter Garbett-Edwards, the corporation's development director. "The village has a population of only about 650 people and, in theory, it's not the sort of place to find the headquarters of a world-famous firm.

"But there it is, and we want it to stay. If the company had built up its Dutch operations, its centre of gravity could have started to shift away. That would have been disastrous.

Refusal

"Ashley employs more than 1,200 people in factories at Wrexham, Mold, Llanidloes, Machynlleth and Newtown, as well as Carno. It is vital for our economic health. We have 13 per cent unemployment in Newtown. We had to save the scheme."

When Laura Ashley first approached Mid-Wales Development in 1983 it could not help. "We had not long lost our development area status, under which automatic grants for new buildings and machinery are paid," Mr Garbett-Edwards says.

"So the company approached the DTI in London about selective assistance. But it got nowhere, apparently because of EEC regulations."

What it got, according to Mr James, was a curt refusal which shocked not only the company but also the Welsh Office, just as anxious not to lose the investment.

Ashley has a vigorous expansion programme. It has 175 shops and intends to open at least 40 more in the near future. Turnover has risen to about £100m, with the company growing at between 20 and 25 per cent a year recently. All this provides a lot of work for the textiles and garments plants.

Following the announcement by the company of its interest in Holland, the Welsh Office hurriedly swung into action. Crisis meetings were held in Cardiff and Carno, with London kept in touch.

The Welsh Office sent Mr Jim Driscoll, a BSC (Industry) man on secondment, as its industry director to Newtown. Mr Ray Hook, his London counterpart, went to Holland with Mr James and Mr Adam Lofthouse, the company's production director, to see what the Dutch were offering.

The package involved an investment premium and a regional component of the investment account scheme, which would have met some 39 per cent of the cost of the building and 37 per cent of the machinery.

"On top of this the cost of borrowing was much lower," Mr James says. "We would have been paying 7½ per cent against a comparable 11 per cent here."

Favourable

A joint solution was proposed by Mr Driscoll and Mr Garbett-Edwards. Instead of building one plant in Newtown they suggested putting up a garment factory in Wrexham, which as a development area would qualify for grants.

The textile plant could go to Newtown, where the corporation could provide a factory at a favourable rent. The administrative headquarters could be concentrated on Carno, for which some selective assistance mysteriously materialised.

Suddenly, Laura Ashley found itself being offered help from three directions—not as much in total as the Dutch might have provided but enough to be interesting. More important, it was enough to keep it in Wales.

A deal was stitched together, rushed through various committees and presented to the House of Commons by Mr Nicholas Edwards, the Welsh Secretary, before the Dutch could counter-attack.

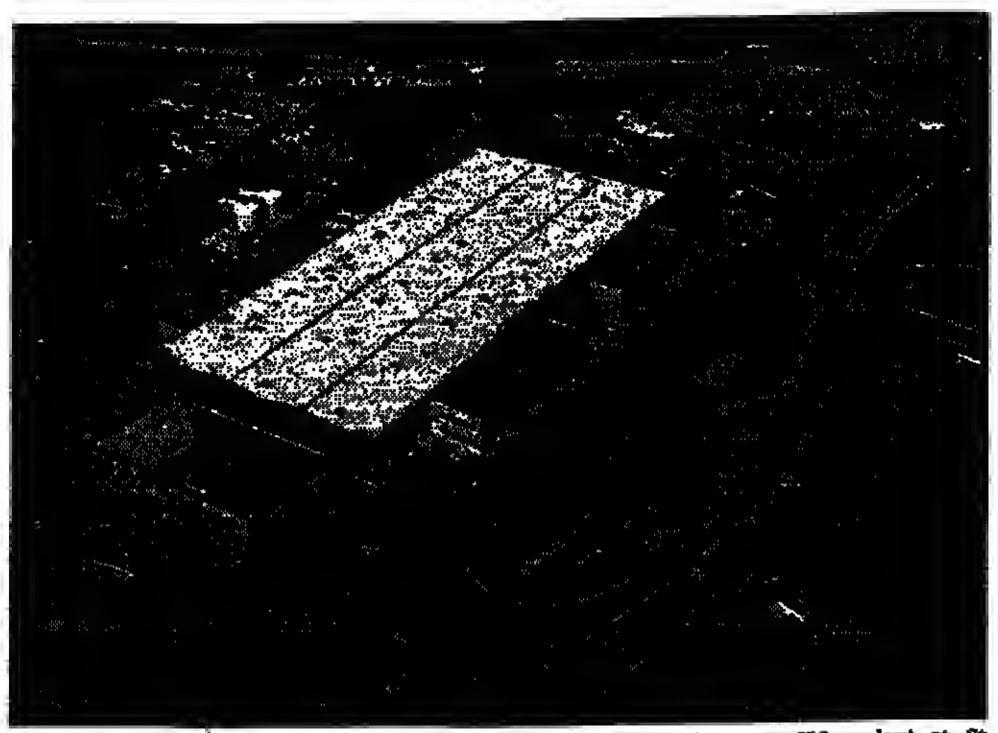
"Not everyone was happy," Mr Garbett-Edwards recollects. "The factory swallowed the whole of our building allocation for two years, so we could not help others for a while. There were some complaints, but we need to keep Ashley."

In Cardiff everyone was very happy, though there were anxious moments towards the end. "We were getting rather nervous," a senior official admitted.

"We had gone to the limit of assistance and we feared a Dutch comeback.

"We had put together a most ingenious package. But I am still slightly surprised we won."

Anthony Moreton



● A recent arrival: Comdial Communications Corporation's major new £13m plant at St Mellons on the outskirts of Cardiff. The highly-automated facility will shortly commence manufacture of advanced telecommunications equipment

Industry hit by hidden EEC limit on pay-outs

Regional Grant Changes

ONE little-noticed change in regional development grants introduced by the Government in its review of regional policy last November appears to have bad a considerable effect on Wales.

The European Commission insisted that Britain should fall into line with the rest of the Community and not pay a manufacturing project any grant over 40 per cent of the total capital invested.

The Welsh Office did not initially expect the rule to affect a significant number of concerns in the Principality but research carried out at tha Polytechnic of Wales indicates that almost every scheme submitted for approval between last November and April 1985 was hit.

As Wales has higher-than-average levels of unemployment this policy change could have important consequences for the country.

The current rate of unemployment is 17.3 per cent compared with 13.1 per cent in the UK as a whole. In the development areas, which cover a third of Wales, the rate among men is more than 22 per cent.

However, Wales could benefit from the greater emphasis on service industries, because in spite of a reduction in the dominance of the Welsh economy by coal and steel, parts of the country still lag behind the UK in provision of service industries. Mid-Glamorgan, for instance, had only 48.5 per cent of its workforce in this sector in 1981 compared with a national average of 62 per cent.

The main objective of regional policy continues to be stimulation of jobs, but both service industries and small firms coma out of the review of policy in a relatively advantageous position.

The 40 per cent EEC ceiling does not apply to tha service sector and if footloose industries can be attracted to Wales they will contribute to the development of a more balanced economy.

More help for small businesses should also assist Wales because parts of the country are deficient in this sector. The proportion of businesses in Mid-Glamorgan with fewer than 25 employees, for instance, is significantly below the national average.

The previous requirement of a minimum outlay of £500 per item before a project could be considered for assistance no longer applies. The benefit of this change is relatively more important for small firms and start-ups than for bigger companies.

Furthermore, although no help was previously forthcoming for purchase of second-hand equipment a business can now qualify for a grant, though in a somewhat complex way, on the basis of initial investment. The benefits of this is highlighted by a survey by the Polytechnic of Wales which shows that of the total sample almost two-thirds of the start-ups in Wales bought mainly second-band equipment, accounting on average for 58 per cent of all initial investment.

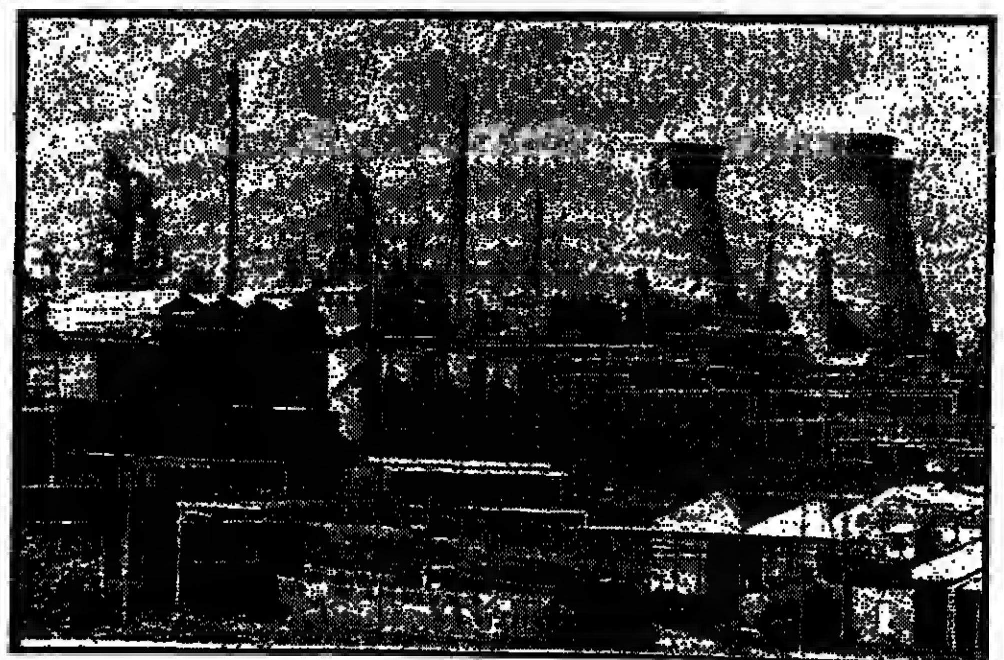
Cash-flow benefits from the new system of grants also helps small businesses. Interviews with managers of local branches of major banks showed that they may be prepared to treat the grants as equivalent to en injection of equity capital. This could lower capital gearing and facilitate loan finance.

The new policy has not been in force long enough to allow the cost effectiveness of the measures to be fully assessed. There is, however, some indication that the changes are likely to result in better value for money since provision of grants is more directly linked to job creation.

This article is based on work by R. Lewis, D. Trotman-Dickenson and M. Griffiths at the Polytechnic of Wales, Pontypridd, involving study of business start-ups and industrial development in Wales.

SINCE November 28 1984 the following has been in operation:

- Only two tiers of assistance—development areas and intermediate areas. Special development areas abolished.
- Automatic regional development available only in development areas at 15 per cent for both new buildings and new equipment.
- Na grants for replacement capital.
- Discretionary selective assistance in all assisted areas.
- Some service industries eligible for regional development grants.
- RDG rates either £3,000 per job created or 15 per cent of approved capital spending.
- RDG limited to 40 per cent of total capital investment.



● An impending departure: BP's Llandarcy oil refinery, near Swansea—Britain's first—is to cease oil and petrol refining next month after more than 60 years, creating 750 job losses in an area already suffering high unemployment

Nights when Welsh ruled in California

Information technology

ROBIN REEVES

ALIGN-RITE Corporation, a Californian company manufacturing photomasks for the design and production of silicon chips, was anxious to expand in Europe and decided on a new manufacturing plant at mid-Glamorgan's fast-growing Island Farm science park in Bridgend. But it was faced with recruiting staff for a technology unknown in Wales.

With the help of a £750,000 training grant from the Welsh Office, however, the company took 35 recruits to California for six months. Their proficiency and enthusiasm was such that by the end of the training, the Welsh workforce were running the Californian plant night shift, prior to returning to launch the Bridgend operation at the beginning of this year.

Align-Rite's experience illustrates the enthusiasm with which Wales is embracing the new technologies, given the opportunity. Inmos finds that visiting Americans are envious of the quality and loyalty of the staff at its Newport plant.

But at the same time a Ferranti executive noted that the size of the industry in Wales was still too small to provide jobs for all suitably-qualified graduates emerging from the University of Wales each year.

With a few notable exceptions, Wales missed out on the initial growth in electronics and information technology investment. For five years it has been trying to catch up to help replace the heavy job losses in traditional industries.

South Wales has sought to take advantage of its location as a natural extension of the electronics industry growth along the M4 corridor. In North Wales, meanwhile, the county of Clwyd is emerging with a specialisation in optical fibres, described as the most significant development in telecommunications transmission since the invention of the transistor.

The Welsh Office says there are about 100 companies in Wales employing some 14,000 people in electronics and related activities. This includes the telecommunications sector where there are a number of longer-established companies, but these are having to change radically to meet modern technological demands.

Investment

There are also some significant recent additions to their number. Among the major newcomers, Ferranti established its military computer systems design and development facility at Cwmbran in 1979. It was soon followed by Inmos at Newport, and Mitel, the Canadian telecommunications group recently taken over by British Telecom, which set up its European headquarters at Caldicot, in Gwent.

More recently, the Parrott Corporation has opened Britain's first fully-integrated floppy disc manufacturing plant at Cwmbran's Llantarnam Industrial Park. Control Data Corporation, which set up at Brynmawr, Gwent, a decade ago, has been greatly expanding its output of floppy and hard discs and computer tape through a £14m investment programme.

In North Wales, Data Magnetics has announced a £12m project to build Britain's first thin-disc manufacturing plant.

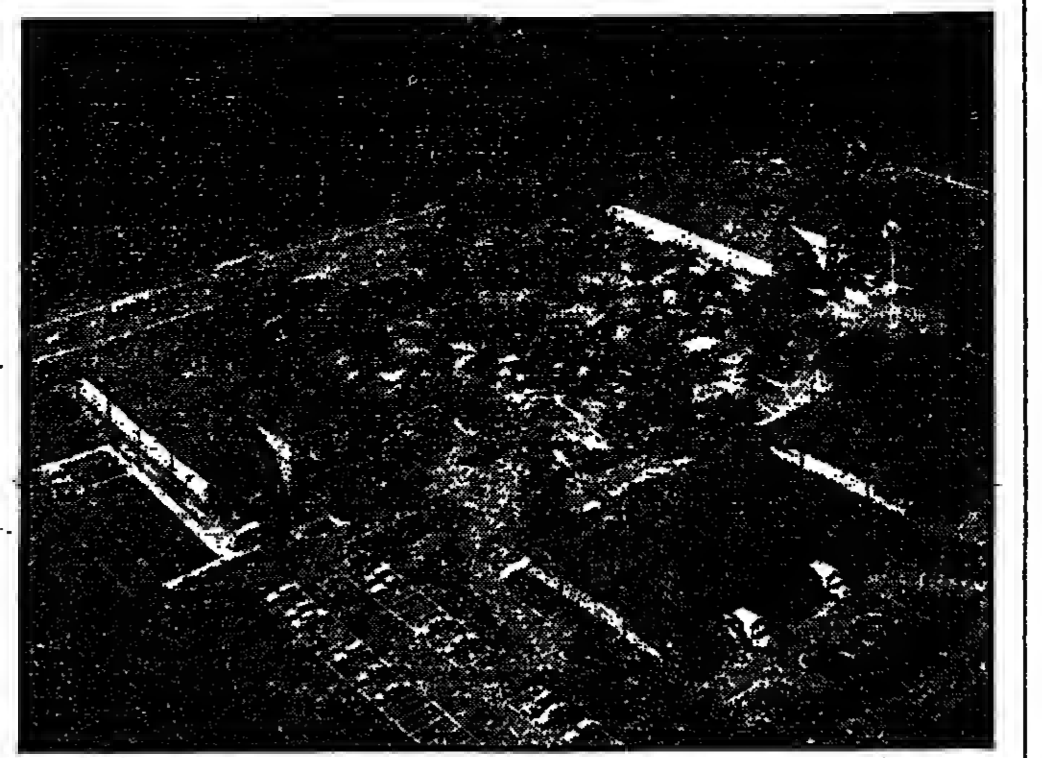
Another newcomer, Comdial Communications Corporation of the U.S., is fitting out a £13m highly-automated plant for the manufacture of advanced telecommunications equipment at St Mellons, Cardiff. Another California-based company, Acrian, has begun manufacture at Bridgend of advanced semiconductor devices and higher-level assemblies for telecommunications, avionics and radar applications.

The one that recently got away was LSI Logic, rising star of California's silicon valley, which at the last minute opted to go to Lower Saxony, in West Germany, rather than Cwmbran. It was a blow since LSI's specialisation in semi-custom chips could well have quickly attracted others requiring proximity to this kind of facility.

On the other hand, Inmos, which helped to put Wales on the world semi-conductor manufacturing map, has completed a second plant at Newport at a cost of £20m. This will allow the company to repatriate final assembly and testing work which has been undertaken in the Far East.

Creation of a further 600 jobs, bringing its Newport workforce to 1,500 has been delayed by the downturn in world semi-conductor demand. But Inmos is confident of riding out the difficulties through diversification into new products, notably its transputer family, which is a computer on a chip.

Another development has been the spectacular growth in Wales of the AB Electronic Products group, a public quoted company which this year celebrated its 50th anniversary. Over three years this company has doubled its Welsh workforce to 2,500, opening facilities in Rogerstone, Cardiff and Pontypridd for printed circuit assemblies, automotive electronics products and signal distribution equipment.



Wales' first business centre for advanced technology, on Deeside Industrial Park, North Wales. Around a landscaped courtyard are three buildings for starter ventures and Newtech, a company run jointly by Clwyd Council and North East Wales Institute, to provide one step shopping for technology advice and information

A measure of the company's success is that it has been able to brush aside the problems of its important customers. Acorn, through growth in business with IBM.

Mainstream electronics growth in North Wales has been limited. But the location of Optical Fibres, the Corning Glass-BICC subsidiary on Deeside, and the Pilkington Group's fibre optic technology activities in Clwyd has given the area an important stake in a key new industry associated with information technology and telecommunications.

After an initial investment of £17.5m, Optical Fibres is spending a further £5m to double production capacity to 200,000 km of fibre a year in response to British Telecom's growing recabling programme.

Pilkington has opened a new plant specialising in short-distance fibre links between computers and other office equipment and electronics interface equipment. Some 60 per cent of production is being exported, mainly to the continent. The company has also just established an American sales operation and is now looking forward to market growth in the U.S.

Another offshoot, Pilkington Security Equipment, in Denbigh, is extending application of the technology into high-security fencing and leakage detection systems for cryogenically (supercooled) stored liquids such as industrial gases.

In South Wales, British Telecom's investment programme is boosting business at STC's cable products division at Newport. The company has also won pioneering overseas orders for high-capacity optical fibre cable communications systems, including the first China contract to be secured by a Western company.

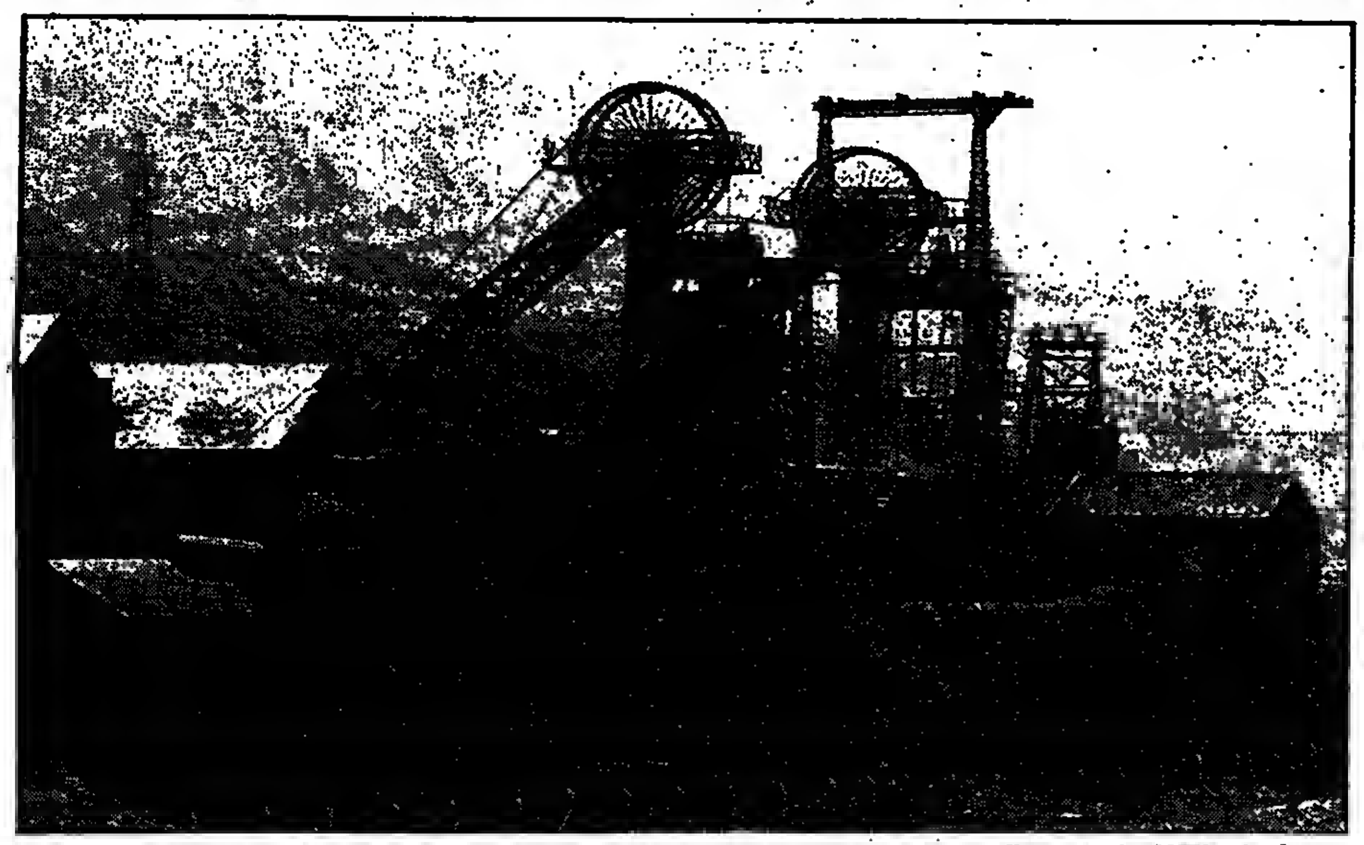
British Telecom itself is re-equipping its Cwmcarn plant in Gwent to manufacture new products for domestic and export markets.

The drive to attract more information technology companies goes on. Clwyd has opened its Newtech Centre on Deeside Industrial Park offering new technology businesses a "one-stop shop" for technical services and business support. The Welsh Development Agency is constructing an innovation centre on the campus at University College, Swansea, and a £3.2m campus-style development for high-technology industry at Cleppa Park, Newport, extending to 62,000 sq ft. It is also planning 35,000 sq ft of specialised accommodation at St Mellons, Cardiff.

Mid-Wales Development is also contributing to the drive through science park developments at Newtown, Powys, and at Aberystwyth, where the development is associated with the University College.

Cwmbran Development Corporation has opened a £1m high-technology development called Raglan House on Llantarnam Park which has already attracted five tenants. Plans for second complex along the same lines are under way.

During a period when competition for internationally-mobile projects in high technology has never been greater, Wales hopes that such developments will help attract and nurture ventures in their formative stage and so increase the growth rate of expanding, home grown, companies.



A familiar sight in the Welsh industrial valleys, but for how much longer? The miners' strike over, the NCB's pit closure plans for the area are expected to be unveiled soon. The winding gear at Tymawr Lewis Merthyr pit, already closed (above), is to form part of a Heritage Centre, commemorating the once massive Rhondda coal industry

Scramble for growth

Biotechnology

ROBIN REEVES

IN 1979, the Welsh Development Agency invested £100,000 in a small Swansea-based company called Bio-Isolates. The capital injection was to enable the company to develop a pilot plant in Carmarthen, Dyfed, to extract functional protein from milk whey.

Three years later, Bio-Isolates took the unlisted securities market by storm. Its shares soaring from an issue price of 33p to £4 and the agency was able to dispose of a major slice of its shareholding at a net profit approaching £900,000 — its most handsome investment success ever.

Interest in Bio-Isolates has since returned to normal. The company is building a full-scale extraction plant at Michelstown, Ireland, but it has still to make a profit. But the scramble surrounding its shares launch provided a vivid illustration of the excitement surrounding biotechnology and the radical changes it promises in the field of agriculture and food processing, forestry, health care, pharmaceuticals and a large sector of the chemicals industry.

The commercial development of biotechnology is still in its infancy. The University of Wales has taken a small but important step to try to foster an industry which could be an important generator of growth and employment towards the end of the century by establishing its own biotechnology centre at Swansea.

As the European Commission recently noted, biotechnology is a "knowledge based business" in which research and development capability is central. Warning European governments that this must not be another field in which the Community loses out to the U.S. and Japan, it stressed: "That capability has to achieve 'critical mass' by developing centres in Europe with the equipment, the people (above all the broad interdisciplinary teams), the intellectual stimulus and density in 'brains per square metre.'"

The biotechnology centre is designed to act as just such a focus for the industry in Wales which so far extends to some 26 ventures. They range from biotechnology work within major, established companies such as Amersham International and Monsanto to small spin-out developments from college research departments.

Academics plough back knowledge

WINTECH

Higher education is being tapped to help industry chase international rivals in technology.

THERE IS a great desire among academics in Wales to contribute to the country's industrial regeneration, according to Mr Clive Thomas, head of Wintech, the newly-created technology promotion arm of the Welsh Development Agency.

"They have a conscience, a feeling which stems from the knowledge that higher education in Wales was started by its people," he says.

One of his main roles as head of Wintech is to ensure that the desire to help does not go to waste.

Setting up Wintech was one of a number of recent developments aimed at improving the technological base of Wales by increasing the contribution of the education system. Others include:

● A £2m science park at the University College of Wales, Aberystwyth, which already houses two spin-off companies, making products resulting from academic research.

● A £1m innovation centre at the University College, Swansea, to house a biotechnology centre and a range of spin-off companies.

● The setting up of a company, Newtech, by the North-east Wales Institute of Higher Education and Clwyd County Council to provide technological help for local companies and help academics develop ideas for the market. The company, which will soon move into premises on Deeside Industrial Park, will draw on the resources of the institute's 80-strong research staff.

● The proposed creation next year of a business technology centre by South Glamorgan County Council and the Cardiff University Industry Centre to house fledgling companies from the university. CUIC hopes to set up a centre for innovation studies as part of the project, to teach entrepreneurial skills to graduates, post-graduates and even schoolchildren.

This flurry of activity stems in part from the Government's demand that higher education must contribute more to the economy.

It also reflects a growing awareness that Wales, like the rest of the UK, has fallen behind industrial competitors like Japan and the U.S. not through lack of innovatory talent but partly because it has failed to transfer ideas from the laboratory into the commercial world.

Encouraging

Wintech aims to spearhead the Welsh drive to help Britain catch up with its rivals in technological innovation. Set up 10 months ago it aims, in the words of the Welsh Development Agency, to plug the industrial base of the country into the higher education system.

It will work with Winvest, the inward investment arm of the WDA, to help attract high-tech industry, and liaise with existing technology-based companies to ensure they receive a steady flow of graduates with relevant qualifications and skills. Wintech is also encouraging larger industrial companies to increase financial contributions to academic research.

Its most important role is as financial and technical broker for the small and medium-sized businesses which need research facilities to expand but do not have the resources to set up units. It will help academics whose commercially viable ideas have languished in the past because of a lack of funds and guidance.

Mr Thomas, aged 44, was formerly head of the undergraduate school of physics at the University of Bradford. He and his fellow "brokers," Mr David Graham and Mr Derek Webb, have experience of leading scientific research groups and their combined interests span new technology subjects from applied physics to advanced flexible manufacturing.

"We are here to help anyone who wants to create a new product," Mr Thomas says.

For industrial clients and entrepreneurs outside the academic system, Wintech's broking includes advice on a suitable research programme and where to find the appropriate expertise, whether from higher education or private sources. In most cases the service is free unless Wintech takes on a managerial role.

For academics who have developed ideas with spin-off potential, Wintech will advise on setting up a company or finding an existing one capable of producing or selling the product under licence or in partnership.

Wintech will also offer advice on grants for research. If these are insufficient, it will consider injecting up to £25,000 from its technological development fund. It also has access to WDA funds, including Hafren Investment Finance, the WDA venture capital company, which will back projects with between £10,000 and £100,000.

This WDA finance is essential, because of the dearth of private sector funds for developing new products, Mr Thomas says.

"For small companies with bright ideas there are precious few venture capital resources available. The first stage of developing a prototype is virtually impossible," Mr Thomas says.

Research

"In the academic world there is money for research but little for development. It has been argued that higher education is not there to develop products, but a growing number of academics want to get their fingers dirty in industry."

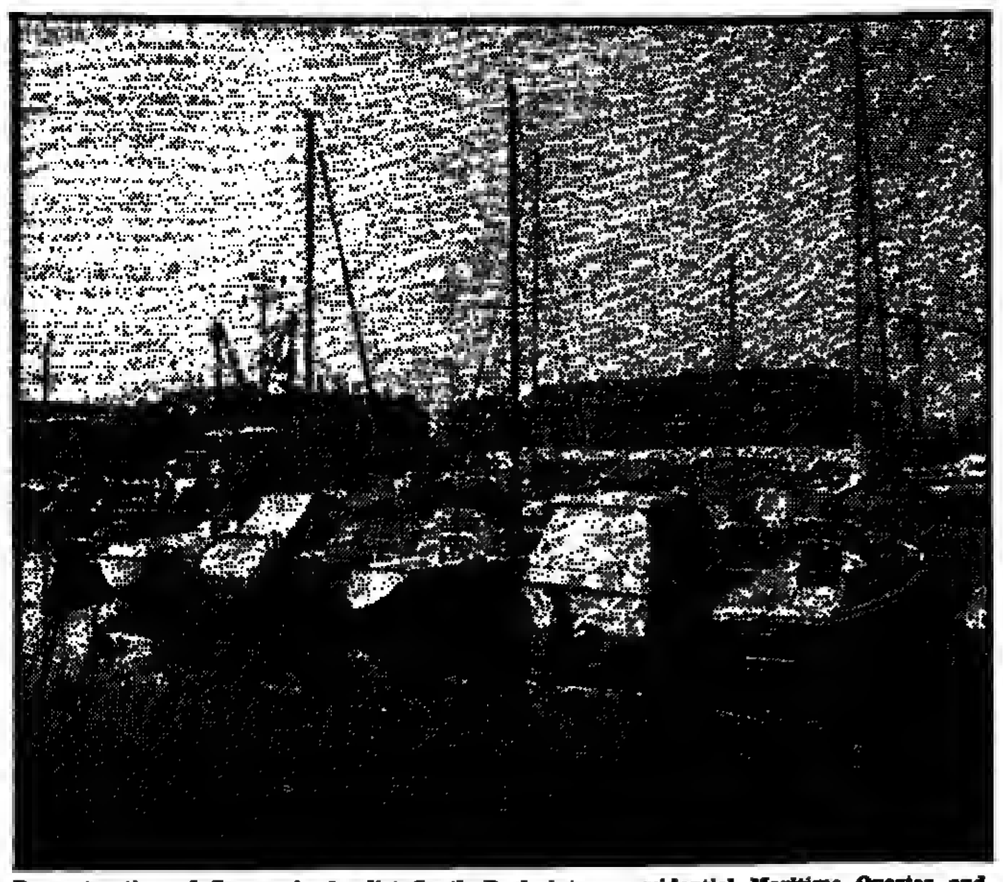
Wintech, which had operating costs in its first financial year of about £100,000, is only now beginning to find its feet. But Mr Thomas says it has already linked two companies with research facilities in higher education, and assisted in the development of three academic-based projects likely to lead to spin off companies.

"The two outside companies are delighted because they have resources available at an economic price which they could not have had otherwise.

"In the three spin-off possibilities, we think two have the potential to form successful companies. The third needs money to develop a prototype but it could leave the other two standing.

"On the other hand it may not make it. It has perhaps a one in 10 chance. Without us, it would have stood no chance."

Michael Smith



Reconstruction of Swansea's derelict South Dock into a residential Maritime Quarter and Marina, now nearing completion, (above and below, right) has added a new dimension to Wales' second city

Five-star problem of attracting investment

Tourism
ANTHONY MORETON

TWO HUNDRED yards into England on the Avon side of the Severn Bridge there is a sign saying "Croeso i Loegr" and underneath the translation "Welcome to England."

Imitation is the nicest form of flattery. For years the Welsh have had a notice proclaiming "Croeso i Gymru," ("Welcome to Wales") on their side of the estuary, and the English have only recently retaliated.

The intention of the Welsh sign, repeated along the border to make visitors feel they are entering a country which, while resolutely British, is still different from England.

This separateness has been an influential factor in turning Wales into the second most important holiday area in Britain after South-west England. Holidaymakers spend some 58m nights a year in Wales and spend £510m.

But Wales faces fundamental problems in attracting investors and maintaining its tourist industry. In spite of the building of Holiday Inn in Cardiff, a new Ladbroke hotel and marina in Swansea and an indoor leisure centre in Rhyl, inward investment has not been as high as the planners would have liked.

One difficulty is that hoteliers do not see a 12-week holiday season as a basis on which to make a 52-week investment, especially those running five-star establishments. They expect to make money between Monday and Thursday from business clients and with the decline of Welsh industry they are not able to attract enough.

Wales has also suffered from the counter-attractions of holidays abroad and a fall in the number of long holidays over the past eight years.

Since 1978 the number of people taking holidays of more than four nights has fallen from about 6m to less than 5m, and according to the Wales Tourist Board, "there is no prospect of a major reversal of this trend."

Hotels themselves have taken a smaller proportion of these long holidays while guest houses, the main staple, have lost ground with long- and short-stay visitors.

More people appear to be spending time in caravans—their own or rented—especially in the peak months of July, August and September. Since these tend to be taken by those with lower incomes, who bring their own food with them, the amount of money they pump into the economy is much less.

Separate

A revitalised Wales Tourist Board has fought back with a marketing plan targetting the affluent South-east England as a prime area from which to attract visitors. It has also sought to extend the holiday season, encouraged daily and holiday trips by the Welsh within their own country, developed marketing schemes with tour operators and shifted the image of Wales towards that of an all-year resort.

Mr Prys Edwards, chairman of the board since last year, says: "All our new ideas are based on the concept that Wales has a special and separate cultural, linguistic and aesthetic value.

"We have to accept that Scotland and England have managed to 'sell' a good image—whisky, beefeaters, tartans, Shakespeare, the Highlands. But we in Wales have something quite different, too, based on our language and cultural background.

"If we can prise some of the overseas visitors away from the milk-run that takes them through Cambridge, Lincoln, York, Edinburgh and back to London via the Lakes, Stratford and Oxford, we shall have achieved something."

Mr Paul Loveluck, the board's chief executive, adds: "If Wales is to be a strong attraction for the holiday-maker, we have to be switched on to the package trade—especially activity holidays where we have enormous natural advantages."

London is the focal point for that switch. Some 80 per cent of visitors to London from outside Europe arrive under their own resources.

"They have come without preconceived ideas of what to see in Britain, and we want to bring them to Wales," Mr Loveluck says.

To achieve maximum impact in winning a segment of this market, the board opens a London centre in Piccadilly today, just a hundred yards from Piccadilly Circus.

The centre, which is being run in conjunction with the Welsh Development Agency and Mid-Wales Development, is not intended to be just a place where the passing holiday-makers comes to pick up leaflets. The intention is to make it a centre for a positive drive to the holiday trade as well as to the individual visitor. Package-tour and coach operators will be canvassed to take people to Wales.

"The centre is opening at a good time," Mr Loveluck says. "It's not an immutable law that people should go to Spain or Greece. The pattern of holidaymaking is changing.

Commonwealth Holiday Inns of Canada's new £9m hotel is now taking shape in the centre of Cardiff. An important new addition to the Welsh capital's tourist accommodation, it is due to open next spring

"Holidays are being taken more frequently, but they tend to be shorter. There has been an upsurge of bookings within the UK, which should continue.

"In particular, there has been increased evidence of interest in activity holidays. This is a growth area in which Wales is strongly entrenched. We have harbour developments either completed or proposed at Swansea, Neyland, Penarth, Aberystwyth and Pwllheli. We are also developing other active leisure interests.

"We are getting only 4 per cent of the overseas visitors to the UK. Our plans should enable us to double this.

To cater for this rising tide of holidaymakers the board expects greater investment support has been made available. The £2m allocated towards projects this year is likely to be fully taken up.

In the past, projects backed by the board such as the Big Pit at Blaenavon, Rhyl's Sun Centre and the Llechwedd slate mine at Blaenau Ffestiniog have turned into big winners. The Sun Centre attracts 500,000 visitors a year and its effect on the local economy has been considerable.

"This is the key," according to Mr Norman Stone, recently-appointed director of projects. "Tourism is about jobs and creating work.

"With our grant aid we are creating jobs at about £6,000 a time. This compares with the £35,000 a job for regional aid. Tourism can do a lot for the economy."

The Wales Tourist Board would like to develop more schemes such as the Swansea marina, where a partnership of public and private enterprise created the £200m scheme. It is no coincidence that the man who masterminded that investment, Mr Maurice Howell, is now the board's deputy director.

Japanese efficiency boosts industry

TV and Video equipment
MICHAEL SMITH

RADICAL MOVES by Hitachi, the Japanese consumer electronics group, to make its south Wales television factory profitable appear to be succeeding.

It is just over a year since the company announced 500 redundancies and a Japanese-style future for the Hirwaun plant, of which it had just taken sole control after ending an uneasy five-year joint venture with GEC.

In future, it said, it would deal with only one of the six existing unions at the plant — the Electrical/Electronic, Telecommunications and Plumbing Union (EEPTU) — and would conclude with it a no-strike, no-lockout agreement. Among other changes, company members, as staff were now to be called, would be required to agree complete flexibility of jobs.

Today, the company says, efficiency levels which it branded last year as the "worst in the UK in any competitor comparison" have almost doubled because of the industrial relations changes and the introduction of improved machinery. It expects Hitachi UK to make its first profit this financial year.

The workforce has benefited from improved wages and conditions. The local community has been rewarded with the creation of 225 jobs, albeit mostly temporary at first, to enable the company to begin production this summer of video cassette recorders and audio equipment. This will take the staff complement to about 1,000.

Hitachi is one of nine Japanese companies with factories in Wales. In the TV and video equipment sector it is joined by Sony and Matsushita, both of which have been in the Principality for more than a decade and are continuing to expand, and Sharp, which started production at its video recorder plant earlier this year.

The Welsh success in TV and video equipment manufacturing is not limited to Japanese companies, however. At Gorseinin, near Swansea, 3M operates Britain's largest videotape manufacturing plant. In Wrexham, Intermagnetics UK, also making videocassettes, expects to break even this year after a shaky three-year start-up. Companies involved in cable and satellite TV equipment manufacture include Thorn EMI Dynatel in Mid Glamorgan, and Satellite TV Antennae Systems, in Newtown.

The four Japanese companies together with 3M, Intermagnetics, Thorn EMI Arsenal and Satellite TV Antennae Systems provide work in TV and video equipment manufacturing for nearly 3,500 people but a large number of jobs have been created through their suppliers.

For example, 3M estimates that its video tape plant, which employs 500 people, has created another 450 jobs in its local materials and components suppliers. Sony UK, which will manufacture about 200,000 TV sets a year and another 240,000 TV tubes for the company's other two European plants, reckons that nearly half of its components are supplied by companies in Wales and the Midlands.

Decisive

It was Sony which led the Japanese TV manufacturers' move to Wales. It decided in 1972 to set up its Bridgend plant largely to help ease trade tension between the Japanese and the EEC. Factors which contributed towards the choice of Wales above other European countries included the language (English is more widely spoken in Japan than other European tongues), the skills of the workforce, the availability of grants and the environmental advantages pointed up by the Welsh Development Agency.

Similar arguments swayed Matsushita, which began manufacturing in 1976, but for Hitachi the decisive factor was the offer of a joint venture with GEC. For Sharp it was the closeness of its Wrexham plant to its Manchester distribution centre.

The Japanese like what they have found in Wales. Few major problems have been encountered in combining Japanese work methods with those of the Welsh, as the Hitachi experience demonstrates. Sony and Matsushita have both had single union agreements from the start and both are pleased with their industrial relations.

Recent expansion moves include the announcement by Sony in March of a £6m investment programme, spread over three years, to modernise its equipment. This involved the creation of 90 jobs to bring the total workforce to 1,100.

Matsushita's plant at Cardiff, the group's only TV manufacturing plant in Europe, is undergoing its fourth expansion. This is designed to increase annual television production from a record 212,330 units achieved last year to 300,000 units by 1987. It is to begin production of electronic telephones and PBX exchanges, adding 25 jobs to the existing 570 in TV manufacture and 50 in audio equipment production.

Even so, Matsushita's President recently expressed disappointment that innovation and progress had not been faster.

Expansion

Diversification is also a feature in the expansions at Sharp and Hitachi. Last month Sharp announced it was starting Welsh manufacture of microwave ovens. Production of video recorders, which began in February and is running at 3,500 units a month has created 100 jobs already but this is expected to rise to 600 in three years. By then Sharp's investment is expected to top £15m.

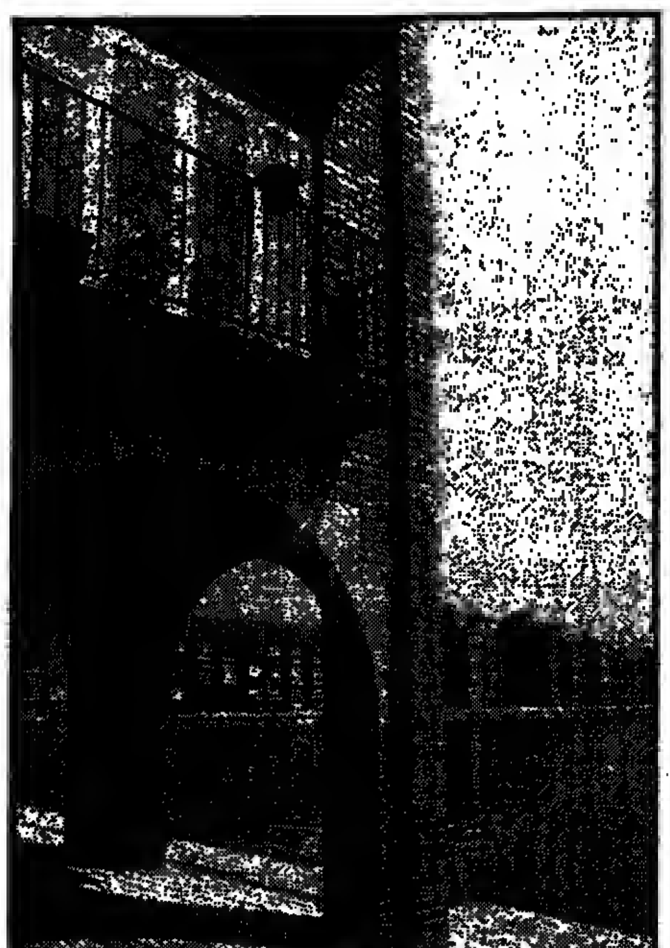
Hitachi's move into video recorders and audio equipment, prompted in part by growing protectionism in the EEC will create 200 and 25 jobs respectively. The initial production target for the recorders is 5,000 a month; for audio equipment 4,000. The company also expects to produce around 300,000 TV sets in Hirwaun this year.

The sector's largest expansion programme, however, is at 3M's Scotch videotape plant at Gorseinon. Between 1980 and 1987 the company will spend nearly £40m there and increase production from 1.75m units a month to 3.75m (45m a year).

On a smaller scale, Intermagnetics UK is making 3.5m cassettes a year but it plans to increase production this summer by taking on an extra 30 staff to add to its existing 70.

Meanwhile, Satellite Antennae TV Systems received a major boost last month with the Government's decision to relax its rules on satellite TV reception so that individuals can erect their own receiving dishes. The four-year-old company, which manufactures satellite receivers and associated equipment, is considering doubling its Welsh staff to 50 this summer and points out many more jobs will be created for rental companies and dish installers.

Thorn EMI Dynatel is waiting for a similar boost from the Government in cable TV.



FT COMMERCIAL LAW REPORTS

Diamond trader seeks to enforce bank undertaking

BARCLAYS BANK LTD v ROSENBERG

Queen's Bench Division (Commercial Court): Mr Justice Anthony Evans: May 9 1985

WHERE A defendant applies for enforcement of an undertaking as to damages given by plaintiffs when obtaining a Mareva injunction against him, the court will direct an inquiry as to his alleged loss and the possibility of compensation if he can establish an arguable case that the injunction was wrongly obtained, that he suffered loss within the contemplation of the undertaking, and that he was not guilty of such delay or conduct as would make it inequitable to grant relief.

Mr Justice Anthony Evans so held when giving judgment for Mr Harry I. Rosenberg on his application for an inquiry into whether he had suffered loss contemplated by an undertaking as to damages given by Barclays Bank Ltd. ("the bank") upon obtaining a Mareva injunction against him.

[A "Mareva injunction" is an order freezing a defendant's assets so as to prevent him from removing them from the jurisdiction or dissipating them within the jurisdiction pending trial of the action against him.]

HIS LORDSHIP said that Mr Rosenberg was a long-standing customer of the bank. He had spent many years in the diamond trade, an international business which operated on the basis of credit and trust.

From 1979 till about June 1981 he operated a cross-fire arrangement which involved his personal account at the bank's Bedford Row branch and his company account with Williams & Glyn's.

Unsecured credit was made available to him by Barclays Bank, but was concealed from the manager's superiors. Statements of account showed a credit balance when in fact the account was overdrawn, or showed an overdraft which was smaller than it should have been.

The bank's computer was programmed so as to produce statements made out on one basis, and to calculate interest on the other. A penal rate of interest was charged, 7 per cent above base rate.

The existence of the cross-fire arrangement was discovered by the bank's senior officials in July 1981, and the true overdraft figure which emerged was £630,000. That was demanded by a letter dated July 27.

Discussions were already in progress as to how Mr Rosenberg's indebtedness to the bank might be eliminated or reduced. They involved the bank manager and later his superiors, Mr Rosenberg and his accountant.

A meeting took place on July 28 during which two proposals were made. The first involved a possible sale of diamonds in London to a group of wealthy Arab buyers. The other was that there should be a sale for £400,000 in London, followed by resales in Dubai with the profit to be shared 50-50 between Mr Rosenberg and the other party involved.

Following that meeting, on July 30, the bank's solicitor wrote requiring four kinds of security to be completed within seven days. There were further exchanges, and on August 6 Mr Rosenberg's solicitors wrote to the bank's solicitors stating that they had advised him he was not liable on the overdraft in that he operated his account merely as nominee for his company.

The following day, August 7, the bank issued a writ against Mr Rosenberg and his company, Rose Diamond Products Ltd, and applied ex parte for a Mareva injunction. On August 11 Mr Rosenberg applied ex parte to discharge the injunction. An arrangement was made whereby he gave an undertaking to substantially the same effect as the injunction, and on that basis it was discharged.

Meanwhile, on August 10, the Mareva injunction had been served on Williams & Glyn's, and possibly on other persons. Judgment in the action was given against Mr Rosenberg and the company in May 1982.

Mr Rosenberg now sought to enforce an undertaking as to damages which Barclays Bank gave to the court when it obtained the Mareva injunction. It undertook "to abide by any order this court may make as to damages in case this court shall hereafter be of the opinion that the defendants shall have sustained any by reason of this order which the plaintiffs ought to pay."

Mr Price, for Mr Rosenberg, submitted that on the authority of 19th century judgments concerned with interlocutory injunctions, a plaintiff's undertaking was given to the court and might be enforced on the application of the defendant.

He said the correct procedure was to apply by summons and for the court to determine on that application whether to direct an inquiry into whether the defendant had suffered loss of a kind contemplated by the undertaking, and if so, whether the plaintiff should be ordered to compensate him.

Mr Price also submitted that whether an inquiry should be ordered should be determined by reference to a threshold which the defendant must cross.

The test, he said, was that the defendant should show by affidavit evidence that he had an arguable case that the interlocutory injunction was wrongly obtained; that he had suffered loss for which he should be compensated; and that he had not been guilty of delay or other conduct which would make it inequitable to grant him the relief sought.

Mr Thomas, for the bank, did not dissent from that approach and it was adopted by the court.

In *Thermax [1981] FSR 289* Mr Justice Browne-Wilkinson held that "on an *ex parte* application the party seeking relief must make full disclosure to the court of all matters within his knowledge and if he fails to do so, even where that failure was ... not deliberate, the order must be discharged."

A plaintiff who applied for a Mareva injunction *ex parte* was under the same obligation to make full and frank disclosure of all material facts.

Among the facts that he must disclose were (1) the existence of a good arguable case, and (2) that there was a "real risk that a judgment or award in favour of the plaintiffs would remain unsatisfied" (*The Niname [1983] 1 WLR 1412, 1422*).

Mr Rosenberg said that there was no "real risk" as at August 7 1981 that he would dispose of his or his company's assets, either by removing them from the jurisdiction, or by disposing of them within the jurisdiction in such a way as to make them unavailable to satisfy judgment. He said the bank had no reasonable basis on which to make such an assertion to the court.

The court's first task was to consider whether he had established an arguable case to that effect. If he had, then it must consider whether he had crossed Mr Price's threshold with regard to loss and delay.

The affidavit sworn in support of the bank's application for a Mareva injunction tended to give the impression of a recent customer who had entered into an unusual arrangement, and that the bank had acted swiftly when the manager reported the unsatisfactory nature of the account.

It also gave the impression that Mr Rosenberg was the kind of person with contacts in the Middle East who might well sell diamonds abroad and not return to the UK or bring back the proceeds of sale.

If the court had been told that Mr Rosenberg was long-established in London, that he was a long-standing customer of the bank (40 years had been mentioned), that so far as the evidence showed he had no direct contacts with Middle East buyers except through introductions involving sales in London, then it was at least possible that a different picture might have emerged.

There was really no evidence on the present application to support the suggestion that Mr Rosenberg might dispose of the proceeds of sale of diamonds abroad, or that he would sell them otherwise than in the course of business.

For him to do either of those things would have involved his giving up business operations in London. That would have been entirely contrary to the impression he gave at the time of exerting every possible effort to remain in business trading from London.

Valid criticism could therefore be made of the affidavit as to whether it was a full and frank statement of all material facts.

Mr Rosenberg crossed the threshold with regard to the question whether he could seriously argue that the injunction was wrongly obtained.

With regard to the question of damage, it could certainly be argued that a Mareva injunction, when served on banks and other people, was capable of damaging the credit of the person against whom it was ordered.

In that context credit meant not just reputation but, more particularly, availability of finance.

The bank might well believe that Mr Rosenberg's credit was non-existent even apart from the injunction, but the court was not prepared to find that as a fact.

So the threshold was crossed with regard to damage, but only in respect of the injunction, and not in respect of the undertaking of August 11 which Mr Rosenberg gave voluntarily.

The present summons was issued as long ago as November 1981 but the bank did not rely on any specific prejudice as a result of the delay. The delay was not irrelevant, but was not such as to debar Mr Rosenberg from making the claim.

His application was granted and an inquiry ordered.

For the bank: Neville Thomas QC and John Higham (Durrant Piesse).

For Mr Rosenberg: Leolin Price QC and Colin Manning (Rose and Birn).

By Rachel Davies
Barrister

F.T. CROSSWORD PUZZLE No. 5,741

ACROSS

1 It sheds light on current position taken by Liberal leader (8)
5 Not the best way for travelling outside the country (6)
10 Engineering representative comes in to measure (5)
11 Confusion involving a ruler and a clergyman (5, 4)
12 Extra support: a line follows (9)
13 To eat well or selectively? The only difference is energy intake (5)
14 It is common to charge for wrapping (6)
15 Put in another request to change present arrangement (7)
18 Continuous operating movement (7)
20 A race in trouble, according to ancients, makes war (6)
22 Little by little a plant emerges (5)
24 It reinforces point of view put by the press (5, 4)
25 Start independent opening after this month (9)
26 Abandoned school in Cornish town (5)
27 Void if husband is not there acting as observer (6)
28 Remains unaroused when rest go astray (6, 2)

DOWN

1 Most recent law — a trial follows (6)
2 Bohemian woman goes on about royalty taking off (9)
3 There's no agnostic to rip the prophecy in shreds (15)
4 Water-ski champion to come to the top? (7)
6 Some material provided by University representative creates surprise (4, 4, 3, 4)
7 Works for a time under Dominicans (5)
8 Doctor produces plate containing article (8)
9 For each sound the bar provides, collect! (6)
16 Carried away if one gets bothered about debts (9)
17 The Entertainer is in business: press and television take note (8)
19 Leave to work on a course of action (2, 4)
20 Considerable bargain? Put crudely, I'm not impressed (3, 4)
21 Unfamiliar passage is obscure (6)
23 Additional material could be satinet; no thanks! (5)

Solution to Puzzle No. 5,740

FISCAL WARPLANE
SENTRY CANNABIS
LOTTIE CURRENCY
GAS
GARBLE
DRAUGHT
YODELS
PEN
FLAUTIST ETHANE
ALLSPICE CLOTHO
REPORTER HATRED

APPOINTMENTS

Changes at Rediffusion

REDIFFUSION BUSINESS ELECTRONICS has appointed **Mr Christopher C. Thornton** as chairman and chief executive. He replaces **Mr W. Robertson**, who will remain a director of Rediffusion, the parent company, in a non-executive capacity. Mr Thornton will be responsible for three operating companies: communications, music, and field engineering, with associated overseas companies. He joined Rediffusion in 1968, and has served as chairman or director of many group subsidiaries both in the UK and overseas. He will continue to retain his overseas responsibilities. Two other senior executives have been appointed directors of Rediffusion Business Electronics. They are: **Mr A. C. Chipperfield**, a director of Rediffusion, and chairman and chief executive of Rediffusion Radio Systems; and **Mr Carl den Brinker**, technical director of Rediffusion Radio Systems.

★

SWAN HOUSEWARES has appointed as engineering director, **Mr John Sparks**. He was with Lucas Electrical.

★

ARBUTHNOT LATHAM BANK has established Arbuthnot Latham Trustees (CI) to administer its offshore funds and provide advisory and financial services to corporate and individual clients. **Mr R. J. Painter** has been appointed managing director. Arbuthnot Latham Bank is a member of the Dow Scandia Holdings Group.

★

CRA, Melbourne, has appointed **Mr J. D. Birkin** as a director. He recently became deputy chairman and chief executive of the Rio Tinto-Zinc Corporation. He has been an alternate director on the CRA board since December 1983. Mr Birkin is also a director of Metro Industries of Western Australia, and of George Wimpey.

★

Mr David Gillan formerly a principal in the Department of Trade and Industry has been appointed *director-designate* of the RAILWAY INDUSTRY ASSOCIATION OF GREAT BRITAIN. He will become director on November 1 succeeding **Mr George Curry** who is retiring.

★

BICC has appointed **Mr Roger Bexon** as a non-executive director. He is deputy chairman of British Petroleum, chairman of BP Exploration and BP Gas, and a director of Sohio and BP Canada Inc.

★

HOUSE OF INSTRUMENTS, Bishop's Stortford has appointed **Mr Don Beckman** as marketing director. He was general manager of Gould's UK instrument operation.

★

SPENCER STUART has appointed **Mr Peter Williamson** as a consultant. He was a co-founding director of Wrightson Wood. He becomes the London link in an international network of Spencer Stuart consultants specialising in banking and financial placement co-ordinated from New York.

★

The COSMETIC TOILETRY & PERFUMERY ASSOCIATION has appointed **Mr John Barker**, company secretary and legal adviser to Colgate-Palmolive, as chairman. He replaced **Mr Cyril Ashley** (chairman, L'Oreal).

★

NATIONAL PROVIDENT INSTITUTION has appointed **Mr John H. Cook** as assistant general manager (sales and marketing). He was assistant divisional manager (marketing).

★

Mr Michael Giles has been elected president of the BRITISH INSTITUTE OF INTERIOR DESIGN. He is managing director of Godfrey Giles and Co.

★

Mr Dennis Hickman has been appointed managing director of DENDIX GEM BRUSHES and a director of the holding company Brushes International. He has also been appointed director of overseas subsidiaries Osborn International in Germany and Brosses Osborn in France. He was managing director of Knllen & Mez in Germany. **Mr Ian Robinson** has been appointed sales director of Dendix Gem Brushes. He was field sales manager.

Rees-Mogg is chairman of Sidgwick

Sir William Rees-Mogg is to become chairman of SIDGWICK AND JACKSON, book publisher. Sir William, a former editor of The Times, is chairman of the Arts Council, vice-chairman of the BBC, chairman of Pickering and Chatto (antiquarian bookseller) and a director of GEC.

★

ST. PAUL FIRE & MARINE INSURANCE COMPANY (UK) has appointed **Mr Christopher A. Bone** to the board. He is the underwriter of Oberon Underwriters, an agency which writes London market non-marine and marine reinsurance business. From January 1 1985, the Oberon Agency has been underwriting exclusively on behalf of St. Paul Fire & Marine (UK), formerly Mercury Re (UK). This company is a wholly owned subsidiary of St. Paul Fire and Marine Insurance Company, of the U.S.

★

Mr Samuel Dow has been appointed company secretary of COATS PATONS. He joined the company in 1970, was appointed assistant secretary of Coats Patons in 1976, and secretary of J. & P. Coats in 1982.

★

LONDON SPECIALIST SOFTWARE SYSTEMS has appointed **Mr Alex Pincus** as group sales and marketing director. He joins after 19 years with IBM.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
80, Holdenhurst Rd., Bournemouth BH8 8AL. 0345 717373 (Linkline)

High Income				
Gilt & Fixed Int.	109.7	116.1	+0.5	10.54
High Inc Equity	[illegible]	77.8	-0.2	6.36
Worldwide Bond	146.9	155.3	+0.1	6.25
Capital Growth				
American Growth	135.9	144.6	-0.1	1.51
Asian Pacific	46.9	49.9	-1.5	
Assets & Engs. Tr.	76.6	81.9	-0.3	2.66
Capital Reserve	57.1	53.3	-0.2	
Commodity & Engy	68.0	74.0	-0.3	3.50
General	106.4	113.8	-0.1	2.86
Japan	157.1	168.5	+1.7	
UK Growth Acc Units	105.9	113.9	-0.7	
UK Growth Dist	74.5	80.1	-0.5	1.92
US Emerging Cos	56.4	60.3	+0.1	0.43
Equity Prog.	159.4	170.5	+0.1	3.03

Aitken Hume
30, City Road, EC1Y 2AY 01-628 6626

American Tech Fd	101.0	110.2		0.10
Pacific Fd.	121.6	130.1	-1.1	0.20
Secured Income Fd	144.8	154.9		5.50
Special Sits.	166.8	110.4	-2.8	1.56
Energy Fd.	36.0	38.5	+0.3	0.40
American Mayors	59.0	63.1		1.56
Small Cos Fd	30.8	32.9	-0.2	1.97
Jap Technology	57.6	61.6	+1.0	0.10
International Income	50.1	53.6	-0.1	7.00
Exempt	431.7	504.7		

Allied Unit Trusts Limited (a)(g)
Allied Hambro House, Hutton, Brentwood, Essex Brentwood. (0277) 211459 & 229123

[illegible]

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Pearl Trust Managers Ltd. (a)(g)
252, High Holborn, WC1V 7EB — 01-405 8441

Pearl Growth Fd	64 1	68.2	−0 1	3 11
Accum Units	94 8	100.8	−0 2	3 33
Pearl Inc	88 5	94 1		4 91
Pearl Unit Tst	92 6	98 5	−0 2	4 0
(Accum Units)	156 6	166 6	−0 3	4 0

Perpetual Unit Trust Mngmt. (a)
48, Hart Street, Henley on Thames. — 0491 576868

Growth	182 2	195 6	−0.7	1.47
Income	137.3	141 1	−0.5	5 49
Worldwide Recovery	104 0	112 5	−0 4	2.08
American Growth	58.2	62 5	−0 4	0.61
Int. Emerging Cos	59 4	63.8	−0 3	0 79
Far East Growth Fd	47.4	50 9		1.00

Prolific Unit Trusts
222, Bishopsgate, EC2. — 01-247 7544/7

Prolific Far East	104 6	112 1	−1.2	0.36
Prolific Extra Inc	62.7	66.7	−0.2	5 73
Prolific Gilt Cap	79.2	82 4	+0 1	5 34
Prolific High Inc	130.6	138 9	−0.4	5.18
Prolific Intl.	85 6	91.7	−0.3	1.58
Prolific N. Amer.	119.5	128.0	+0.2	1.46
Prolific Spec. Sits	146.0	156.2	+0.2	1 41
Prolific Technology	110.2	118.1		0.87

Providence Capital Fd. Mgrs. Ltd.
30 Uxbridge Road, London, W12 8PG. — 01-749 9111

Japan Trust	49.2	52.1		0.19
Worldwide	48.3	51.2	−0.3	2.27
European Trust	47.7	50.5	−0.2	2.09
North American	53.6	56.7	−0.3	2.65
U4 Equity	48.9	51.8	+0.2	4.70

Prudential Unit Trust Mngrs Ltd. (a) (b) (c)
51-59, Ilford Hill, Ilford, Essex, IG1 2DL — 01-478 3377

Holborn Equity Tst.	322.5	343.0	+0.1	3.64
Holborn Gilt Tst.	148.1	154.9		9.11
Holborn High Inc	53.1	56 4		1 14
Holborn Intl.	56.6	60.2	−0.1	0.60
Holborn UK Growth	63.2	67.2	−0.2	3.19

Quilter Management Co. Ltd.
31-45 Gresham Street, EC2. — 01-600 4177

Quadrant Gen. Fd	323.8	344.5		3 43
Quadrant Income	182.4	192.1		6.22
Quadrant Intl. Fund	306 4	322 6		1.31
Quadrant Recovery	200.7	211.3		2.75

Reed Stenhouse Inv Services Ltd
145 Borough High St, Lon SE1 1NV — 01-628 6011

Wellington Inc	48.8	51 9		6.00
Wellington Growth	100.5	106.9		2.00

Reliance Unit Mgrs. Ltd.
Reliance Hse, Tunbridge Wells, Kent. — 0892 22271

British Life	133.1	140 7	−0 9	4.33
Reliance Unit Tst (Inc)	86.3	92.0	−1.0	3.94
Reliance Ut Tst (Acc)	111 1	118.7	−1.2	3.99

Ridgefield Management Ltd.
35 Fountain St, Manchester M2 2AF. — 061-236 5685

Income UT	92.1	98.5	−0 4	6.87
International UT	219.6	234.8	−0.3	1.00

N.M. Rothschild Asset Management
St Swithin's Lane, London EC4. — 01-280 5456

NC America (Inc)	235.7	248.1	−0.4	1.35
NC America (Acc)	250.3	263.4	−0.6	1.35
NC Energy Res. Tst.	167 8	176.6	−0.8	2.33
NC Inc Fd	338.0	355 7		5.01
NC Japan Fund	110.5	116.3	+0.8	0 02
NC Smaller Cos	108.3	114 0	−0 5	2 0
NC Smaller European	102 9	108.3		0.81
NC Exempt Gilt Tst*	116.0	121.0		11 18
NC American Prop*	11.21	11 80		—
NC Prop.*	185.0	194.8		—

*Unauthorised Unit Trusts.

Rowan Unit Trust Magt. (a)
1 Finsbury Av, London, EC2M 2PA. — 01-606 1066

American June 6	197 0	201 0		1.52
Securities June 11	550 0	565.0	−22.0	2.39
High Yield June 7	132 0	135.5		5.80
Merlin June 5	267 0	275.0		1.96
Fixed Interest	147.0	148.0		2.91
High Interest	118.0	119 0		12 49
Far East June 11	123.5	127.0	+4 0	1.09

TSB Unit Trusts (b) (c) (y)
PO Box 3, Keens Hse, Andover, Hants. SP10 1PG
0264 67188 Dealings to 0264 63432-3

TSB American	99 6	106 0	−0 3	1.17
Do Accum	102 6	109 2	−0 3	1.17
TSB Extra Income	86 7	92 3	+0 1	6 10
Do Accum	96 5	102 7	+0 1	4 10
TSB General	119 4	127.0	−0.2	3.11
Do Accum	190 5	202 6	−0.3	3.31
TSB Gilt & Fxd Int.	46 5	48 5	+0 1	9.52
Do Accum	56 1	58 5		9.52
TSB Income	160.6	170 9	−0.3	4.95
Do Accum	242 1	257 6	−0.4	4 99
TSB Pacific	105 9	112 7	−1.1	1.04
Do Accum	108 5	115.5	−1 1	1 04
TSB International	231 9	246 8	−0.5	1.87
Do Accum	282 3	300 4	−0.6	1 87
Natural Resources	46.2	49.2	−0.1	2.62
Do. Accum	46 7	49 7	−0.1	2.62
TSB Scotd. Opps	47.6	50.7	−0.1	2.43
Do. Accum.	51.2	54 5	−0.1	2.43

3i & Target Fund Mgrs Ltd
Target House, Gatehouse Road, Aylesbury, Bucks
Aylesbury (0296) 5941

Small Co's Fund	70 1	75 0	−0.3	0.10

Target Trust Mngrs. Ltd. (a)(g)
Target Hse, Gatehse. Rd, Aylesbury Bks — (0296) 5941

American Eagle	69.6	74.4		0 14
Australia	27.6	29 4	+0.2	0.10
Commodity	95.6	102.8		1.68
Energy	44.2	41 3	−0.1	0 74
Equity	99.4	106.0	−0.1	3.74
European Spec. Sits	50.2	53.7	−0 4	0.93
Extra Income	93 5	100.0		7 06
Financial	201 0	214 4	−0.9	2.87
Gilt Capital	212.5	222.5		3.25
Gilt Income	100 8	105.6	+0.1	9 07
Gold Income	61 7	66.0	−0.1	2.31
Gold Acc	111 9	119.6	+0.2	2.31
Income	58.8	63.2	−0.4	5 42
Japan	45 5	48.5	+0.4	0 18
Malaysia & Singapore	27.0	28.8		0.02
Pacific Income	68.0	72.7	−1.8	0.06
Pacific Re Inv.	82 4	88.1	−2.2	0 06
Preference Share	15.6	16.8		10.29
Professional	486.8	519.3	−5 6	1.68
Special Sits	87.3	93 4	−0.3	2.41
Technology	41.5	44 4		0.10
U.S. Special Bond	50.0	53.5	+0 1	6.34
Worldwide Capital	112 9	120 4	−0.1	1.72
Equity Exempt June 4	632.9	675.1	+1.0	2.46
Equity Ex Acc June 4	1163.3	1240.8	+1.7	2.46

Temple Bar Unit Trust Mgrs Ltd
Electra Hse, Temple Pl, Vic Emb, WC2. — 836 7766

Electra Small Cos. Fd	125.80	132.72		3.78
High Income	41 4	44.3	−0 1	7.53
North American	107 4	114 8	−0.5	0.67
Recovery	119 4	127.0	−0.6	3.89
Gilt Trust	37.1	38.4	−0.3	9 93
St Vincent U.S. Gwth	72.1	73.2	+0.4	0.81
St. Vincent High Inc	28.3	30.5		6.20

Touche, Remnant Unit Trust Magt, Ltd.
Mermaid Hse, 2 Puddle Dock, EC4. — 01-248 1250

TR American Growth	26.5	28.6	−0.3	0.27
TR General Growth	38.1	41.2	−0.1	2.46
TR Global Tech.	28.9	30.8	−0.1	2.46
TR Income Growth.	44 1	47.5		5 06
TR Income Monthly	38.9	41 4		7.42
TR Overseas Growth	34.0	36.2	−0.4	1.74
TR Smaller Cos.	40.6	43 2	−0.1	1.88
TR Special Ops.	42.4	45.6	−0.3	1.22

Trades Union Unit Trust Managers
100, Wood Street, EC2. — 01-628 8011

TUUT June 1	134.5	141.3		3.59

Transatlantic and Gen. Secs. (c) (y)
91-99, New London Rd., Chelmsford. — 0245-51651

Calemco June 7	376.9	394 0		4.45
(Accum. Units)	601.4	629.2		4.45
Fielding Fd June 6	197.5	211.5		3.42
(Accum Units)	214.3	229 7		3.42
Fielding Inc June 6	136.8	146.4		5.35
Fielding AM&Gen June 6	209 6	222.4		1.96
(Accum Units)	235 7	250 1		1.96
S&W American June 5	134.2	146.1		2.52
S & W Smaller Secs	95 9	100.9		2.00

INSURANCE, OVERSEAS & MONEY FUNDS

Arbuthnot Securities (C.I.) Ltd. (a)(c)(b)
P.O. Box 428, St. Helier, Jersey. 0534 76077

Dollar Income Tst (z)	$1.0614	1.116	+0.6	10.75
Bond Secs. Tst.	72.6	76.1	+0.1	13.14
Yen Bond*	Y199	209		5.74
Sterling Fd*	180.1	180.2	+0.2	—
Japan Growth*	215.6	231.8		0.43

Next dealing *June 13, †June 19.

Aries Fund Managers Ltd.
PO Box 443, St Helier, Jersey. 0534 75141

Dollar Fund	$10.56	10.59	—	—
Sterling Fxd Interest	£9.87	9.91	—	9.51

B.I.A. Bond Investments AG
10, Baarerstrasse CH6301, Zug, Switzerland

Barer Sfd May 20	SF10,925	11,500	—	—

Julius Baer Bank & Trust Co Ltd
Butterfield House, Grand Cayman

Liquibaer J. Baer Sfd.	$1,317	1,318	—	—

Bamford Brault Guernsey Mngt. Ltd.
PO Box 71, St Peter Port, Guernsey 0481 26541

Tech and Comm.	£7.69	8.16	—	—
Int. Growth	$15.01	15.86	—	—
Pac. Basin Fund	$26.29	27.91	—	—

Bank of America International S.A.
35 Boulevard Royal, Luxembourg GD

Worldinvest Inc	$124.59	125.23		8.81

Valued weekly on Wednesdays.

Bank of Scotland
4 Don Rd, St. Helier, Jersey. 0534 38855

Man Mkt Con Acc Jersey	—	12.05	—	—

Barclays Isle of Man Prime Account
PO Box 9, Douglas, IoM 0624 29331

High Int. chq	—	12.25	—	—

Barclays Unicorn International
1, Charing Cross, St. Helier, Jersey. 0534 73741

EBC Trust Company (Jersey) Ltd.
1-3 Seale St, St Helier, Jersey. 0534-36331.

International Income Fund

US$ Den Short A	$1.4778	+0.0001	9.66
Do. Dist	$1.0225	+0.0001	9.66
Med Cur.Sh't term B	$1.1381	+0.0014	8.00
Do. Dist	$0.8685	+0.0012	8.00
Eurobd.Long Term	$22.41	+0.32	10.90

European Banking Traded Currency Fund*

Income	$9.52	4.826	+0.021	8.26
Capital	$10.51	10.845	+0.020	8.26

European Banking Currency
*Offer price includes 5% prelim. charge.

Income*	$10.00	$10.5105	—	—

*Offer price includes 5% prelim. charge.

The English Association
16 Athol St, Douglas, Isle of Man 0624 20738

E.A. Far East	$10.20	10.74	−0.11	—

Next dealing June 14.

Ermitage Management Ltd.
19 Royal Square, St Helier, Jersey, CI. 0534 76007

External Fund	$18.77	18.96	—	—
Bond & Cash Fd	$10.01	10.07	—	6.09
Cash Fund	$20.29		—	—

Ermitage Management Cayman Ltd.
PO Box 2192, Grand Cayman, B.W.I.

Cam Ermitage	$14.54	—	—	—
Cayman Cash Fd	$10.29	—	—	—

Eurolife Assurance Group
5-11 Mortimer St., London W1N 7RH. 01-631 0778

Sterling Eurobond Fd	104.9	—	+0.4	—
Intnl Eurobond Fd	104.9	—	+0.4	—

S.G. Europe Obligations S.A.
9, Avenue de la Liberte, Luxembourg

World Wide Growth Managemento
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	$12.54	—	−0.07	—

Inv. Adv.: M. & G. Inv. Mngt. Ltd. London.

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Advanced Tech	$8.99	—	−0.12	—
Dynamic Gwth Fd	$8.21	—	−0.02	—

Money Market Trust Funds

The Charities Deposit Fund
77 London Wall, London EC2N 1DB 01-588 1815

	Gross	Net	Gr Equiv CAR	Int Cr
Deposit	12.3	—	—	3-Mth

The Money Market Trust
63 Qn Victoria St, EC4N 4ST. 01-236 0952

	Gross	Net	Gr Equiv CAR	Int Cr
Call Fnd	12.69	9.49	14.06	6-mth
7-day Fnd	12.75	9.53	14.13	6-mth

Oppenheimer Money Management Ltd
66 Cannon St, EC4N 6AE. 01-236 1425

	Gross	Net	Gr Equiv CAR	Int Cr
Call Fnd	12.35	9.23	13.01	6-Mth
7-day Fund	12.36	9.3	13.62	6-Mth
Dollar	6.56	—	—	6-Mth
Money Mngt. Acc	12.00	8.97	13.43	3-Mth

Money Market Bank Accounts

Adam & Co. plc
22 Charlotte Sq, Edinburgh, EH2 4DF 031-225 8484

	Gross	Net	Gr Equiv CAR	Int Cr
Full Service Cur Acc	12.25	0.75	13.09	Qtr

Aitken Hume
30 City Road, EC1Y 2AY. 01-638 6070

	Gross	Net	Gr Equiv CAR	Int Cr
Treasury Acc	12.375	9.25	13.07	Qtr

OFFSHORE AND OVERSEAS

NOTES

COMMODITIES AND AGRICULTURE

Jamaican bauxite plan raises doubts

By Canute James in Kingston

NORTH AMERICAN companies refining bauxite in Jamaica have expressed doubts about the feasibility of changing from oil to coal fired processing to reduce production cost, said by the industry to be much higher than the world average.

The Government is proposing the change on grounds that the reduction in costs would make Jamaican refined bauxite more competitive, and help shore up the bauxite industry which is the island's main hard currency earner.

Ore output fell last year to 8.5m tonnes from 12m tonnes in 1980, and a further decline of 2m tonnes is anticipated this year.

The coal for the refineries is to come from Colombia which has signed agreement in principle to supply not only the needs of the bauxite refineries, but also Jamaica's cement plant and the state owned electricity company.

The refiners, however, are questioning the feasibility of the conversion plan, estimated by the Government three years ago to cost about $350m.

"I do not think a study has been made in Jamaica that puts the conversion to coal at less than $100m for some plants, and some of them as much as $250m, says Mr J. Broussard, general manager of Alumina Partners of Jamaica (Alpart).

The refinery is owned by the Reynolds, Kaiser and Atlantic Richfield companies of the U.S. With a rated capacity of 1.2m tonnes per year, it is Jamaica's largest.

"If you are going to make a net return on savings of $10m, can you afford to invest $100m?" Mr Broussard asked.

Alcan, which operates two refineries on the island with a combined rated capacity of 1.1m tonnes, has similar doubts about the feasibility of the conversion to coal fired processing.

"As a company that actually conducted a study on the conversion factor, we took a hard look at it," said Dr Keith Panton, executive vice-president of the company's local operations.

Row looms over U.S. farm export shipping rules

BY NANCY DUNNE

THE U.S. farming and maritime lobbies are headed for a confrontation this week in Congress over the requirement that 50 per cent of all U.S. government-generated cargoes must be transported on U.S. ships.

Cargo preference requirements were responsible for the suspension of a subsidised credit farm export programme in February when a U.S. district court judge ruled that the law was applicable to "blended credit" shipments. The outcry over the loss of the programme and an estimated $536m in sales this year was a factor in the decision by Mr John Block, the Agriculture Secretary, to offer the controversial new export bonus scheme. He insists that cargo preference will not be required under the now programme, but the maritime lobby may contest that view in court.

Farm groups say that cargo preference was only designed to apply to long-term concessional sales or aid programmes. They complain that it adds at minimum 10 per cent to the cost of shipping and usually much more.

A SHARP rise in Soviet grain production this year and a sharp cut in 1985-86 imports have been forecast by the U.S. Agriculture Department.

In its latest circular on the USSR Grain Situation and Outlook the department says Soviet 1985 grain production could total about 195m tonnes, up from a disappointing total of 170m tonnes in 1984.

Imports in 1985-86 are predicted to total 37m tonnes, down from a record 55m tonnes in 1984-85.

Legislation now in Congress, backed by the Administration, would limit cargo preference requirements to concessional sales programmes.

The House of Representatives merchant marine and fisheries committee will hear testimony on the proposal today and the Senate commerce committee will hold hearings on it tomorrow.

The ailing U.S. maritime industry insists it needs the business of farm exporters to survive, but cargo preference was brought into further disrepute last month by an article in Philadelphia Inquirer which reported that American ship operators have increased their fees to carry famine relief cargoes to Africa by $6m over the past 17 months — "enough money to feed 170,000 people in Africa for a year."

The increased shipping fees occurred even though world shipping charges are declining. According to the Inquirer, if the U.S. Government had been able to use foreign ships to transport emergency food to Africa, $34m would have been saved.

Mr John Baize of the American Soyabean Association gives as an example of the costs of cargo preference the case of two ships headed for Sudan this week. The U.S. ship is charging $4.50 a hundredweight to carry sorghum, while the Liberian vessel is charging $2.24 a hundredweight.

U.S. rejects proposal to share out world market

BY ANDREW GOWERS IN PARIS

MR JOHN BLOCK, the U.S. Agriculture Secretary, yesterday firmly rejected a French call for the permanent organisation of world agricultural markets.

M Francois Mitterrand, the French President reiterated his view that exporters of farm products should agree on market shares at the opening session of the UN world food council, here on Monday.

But speaking at a press conference as he left Paris, after a week-long tour Mr Block said "I dont know how you organise markets. If that means dividing the world up into fair shares, I just don't know what fair shares are. Market shares change because of differing conditions."

He said he did not think there was any way that market shares could be agreed on a lasting basis, but left open the possibility that exporters might reach tentative agreements to divide up the market for shorter periods such as a year.

Agricultural trade has been the subject of mounting controversy between the European Community and the U.S. in recent months.

The row has come to a head with the recent U.S. announcement of a $2bn scheme to promote farm exports and a large cut-price offer of wheat to Algeria.

By going on the offensive in this way the Reagan administration is trying to persuade the EEC to move faster towards a new round of international negotiations.

India studies wheat export subsidies

NEW DELHI—India is considering a proposal to subsidise wheat exports to reduce its large surplus stocks, according to Mrs Deepak Sandhu, a Commerce Ministry official.

The subsidy is expected to narrow the gap between domestic and international prices and encourage private traders to seek foreign buyers, she said.

India has signed major wheat export contracts only with the Soviet Union due to the high cost of its grain.

It will sell the Soviet Union 500,000 tonnes of wheat this year, out of a total export target of 2m tonnes, and a further 500,000 tonnes of milled wheat products, Mr Rao Birendra Singh, the Food Minister, said last week.

Reuter

Strategic metals prices down again

By John Edwards, Commodities Editor

A GENERALLY easier trend in most strategic metal markets has developed, with prices being marked down in thin trading conditions.

Mainly responsible for the downturn has been selling by merchants on the principle of "sell in May and go away" into seasonally quiet markets with little buying interest. Even the news that Amax, the leading producer, was planning to halt production at two of its major production units, failed to halt the continued slide in molybdenum prices.

Meanwhile Reutor reported from Tokyo that Japanese platinum imports jumped to 15.91 tonnes in January/April from 9.88 tonnes in the same period last year. This was due to increased industrial and jewellery demand and active buying by small investors.

ANTIMONY: European free market, 99.6 per cent, $ per tonne, in warehouse, 2,650-2,750.

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 4.00-4.40.

CADMIUM: European free market, min. 99.95 per cent, $ per lb, in warehouse, ingots, 0.67-0.73, sticks, 0.72-0.78.

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 11.20-11.30.

MERCURY: European free market, min. 99.99 per cent, $ per flask, in warehouse, 285-295.

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.50-3.65.

SELENIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 6.65-7.15.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit WO_3, cif, 61-67.

VANADIUM: European free other sources, $ per pound V_2O_5, market, min. 98 per cent V_2O_5, cif, 2.12-2.18.

URANIUM, Nuexco exchange value, $ per lb U_3O_8, 15.00.

Frost hits Brazil's best coffee areas

BY ANDREW WHITLEY IN RIO DE JANEIRO

UNSEASONABLY cold weather has damaged coffee bushes in parts of the southern Brazilian states of Minas Gerais and neighbouring Sao Paulo — the most prolific and highest quality coffee producing region in the country.

Preliminary estimates from producers put the damage from last weekend's two nights of light frost at between 5 per cent and 10 per cent of next year's production from the region, adding to existing fears over the likely size and quality of the 1985-86 crop.

This year southern Minas Gerais is expected to produce 6.5m bags (each of 60 kilos) of high grade coffee out of the forecast Brazilian total of 29m bags.

The cold snap has brought sub-zero temperatures to much of southern Brazil since late last weekend and the indications are that the cold weather is set to continue. Meteorologists forecast on Monday that a new cold front from the southern Pacific could hit Minas Gerais and Sao Paulo by the coming weekend.

After several years in the doldrums, overshadowed by soya—Brazil's new "miracle crop"—coffee has re-emerged as the country's leading export product.

Helped by higher world prices, so far this year export earnings from coffee have been doing better than at any time in the past five years. Between January and April, Cacex, the foreign trade authority, reported bean exports worth $829m, compared with $769m in the same period in 1984.

This represented over 11 per cent of total export revenues.

Paradoxically, until recent days coffee registrations at the Brazilian Coffee Institute (IBC) had been running well behind the rate required to meet the country's quota set by the International Coffee Organisation.

This has now been made up with a burst of late registrations. By last Friday 590,000 bags for shipment in June had been registered with the IBC and on Monday the institute opened registrations for a further 500,000 bags for this month.

● No further damaging cold is expected in the Brazilian coffee areas until Friday at the earliest, and no new cold air masses are currently building up in Argentina, private U.S. forecaster Accu-Weather said.

Government offers to buy up more dairy quotas

BY JOHN EDWARDS

THE MILK outgoers' scheme, under which farmers are compensated for surrendering their dairy quotas, is to be re-opened since the target has not yet been met, Mr John MacGregor, Minister of State for Agriculture, announced in a written reply in the Commons.

Mr MacGregor said that at June 7 some 265m litres of quota had been bought-in under the scheme, but this was below the overall target of 289m litres so it was being re-opened. The scheme will now also be open to producers who were not in milk production in April 1984 but have subsequently purchased land with quota and who do not wish to produce milk.

Meanwhile a special report by the Economist Intelligence Unit on International Trade in Dairy Products, just published, claims that the Community's decision in March 1984 to impose milk quotas was probably too little too late.

Quota production, it says, continues well in excess of demand at a time when outlets for dairy products are tending to contract rather than expand. Even cheese, the product with the most buoyant growth in demand, may well be approaching saturation.

Ivory Coast prospects boost cocoa forecast

By Our Commodities Editor

THE SURPLUS of cocoa production over demand this season (1984-85) has been raised to 98,000 tonnes in the latest market report issued yesterday by London dealers, Gill and Duffus. In its last report in March the company predicted a surplus of 70,000 tonnes.

The increase in the forecast surplus is attributed primarily to an upward revision in the Ivory Coast main crop, put at 480,000 tonnes. With the mid-crop estimated at 50,000 tonnes total Ivorian output this season is the second-highest ever, only surpassed by the bumper Ghanian crop of 566,000 tonnes in 1964-65.

The report says that there are still some doubts about the forthcoming Temporao crop in Brazil with the possibility of excessive losses to black-pod disease, but at this early stage prospects for the 1985-86 crops are reasonable, with strong pod-setting having taken place in West Africa and Brazil.

Prices, which have fallen by some £230 a tonne since the end of March, are expected to move slowly to lower levels reflecting the surplus of supplies available.

London-Paris futures link agreed

By Our Commodities Staff

LONDON AND Paris commodity futures exchanges have agreed to link their market reporting services electronically.

An agreement was signed this week between the Compagnie des Commissionaires Agrees de Paris (CCA) and Commodity Market Services (CMS) a wholly owned subsidiary ofthe London Commodity Exchange.

It is hoped that the new communications link will be ready for commissioning by early October.

LONDON MARKETS

BASE METALS

LME prices supplied by Amalgamated Metal Trading

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	821-2	-5.0	821/820
3 months	849-.8	-4.9	850/842

Official closing (am): Cash 820-1 (825-.5); three months 843-.5 (847-.5); settlement 821 (825.5). Final Kerb Close: 848-.5. Turnover: 12,675 tonnes.

COPPER

Higher grade	Unofficial close	+ or —	High/Low
Cash	1126-6	+8.0	1118/1117.5
Three m'nths	1143.5-4	+0.6	1143.5/1135

Official closing (am): Cash 1117-.5 (1116.5-7): three months 1137.5-8 (1135.5-6); settlement 1117.5 (1117). Final Kerb Close: 1143-1144.

Cathodes			
Cash	1115-.5	-0.6	—
Three m'nths	1131-.9	+3.25	—

Official closing (am): Cash 1109-11 (1112-3): three months 1123-5 (1124-5): settlement 1111 (1113). Turnover: 17,350 tonnes. U.S. Producer prices 6.00-70.50 cents per pound.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	309-3	+9.95	302.5/300
3 months	302-.5	—	303/301

Official closing (am): Cash 302.5-.75 (300-1): three months 302-.9 (301.5-2); settlement 302.75 (301). Final Kerb Close: 302-3. Turnover: 5,400 tonnes. U.S. Spot: 18.00-21.00 cents per pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	£4416-26	+16.0	4448/4440
3 months	£4570-5	-12.5	4485/4475

Official closing (am): Cash 4440-5 (4425-30): three months 400-5 (4405-10); settlement 4445 (4430). Final Kerb close: 4380-5. Turnover: 7,822 tonnes.

TIN

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/low for day
Cash	£9665-70	+17.5	9670/9670
3 months	£9597-60	+13.5	9660/9585

Official closing (am): Cash 9665-70 (9645-50): three months 9554-6 (9550-50); settlement 9670 (9650).

Standard			
Cash	9660-70	+15.0	9670/9645
3 months	9580-60	+15	9660/9550

Official closing (am): Cash 9650-5 (9645-50): three months 9550-2 (9550-1); settlement 9655 (9650). Final Kerb Close: 9650-55. Turnover: 1,470 tonnes. Straits tin $m29.32 (29.22) kilo.

ZINC

	Official close (p.m.) £ per tonne	+ or —	High/low
Cash	580 1	-2.0	—
3 months	590.5 1	-1.75	595 585

Official closing (am): Cash 578-80 (577-9): three months 590-1 (588-9). settlement 580 (579). Final Kerb Close: 582 3. Turnover: 17,000 tonnes. U.S. Prime Western. 45.50-47.50 cents per pound.

MAIN PRICE CHANGES

(In tonnes unless otherwise stated)

METALS	June 11 1985	+ or —	Month ago
Aluminium	£1100	......	£1100
Free Mkt	$1080/090	-10	$1145/175
Copper			
Cash h Grade	£1126.5	+2.0	£1221.0
3 mths	£1143.75	+0.6	£1207.7
Gold troy oz	$315.25	+5.00	$327.0
Lead Cash	£302.0	+2.25	£298.0
3 mths	£302.25	......	£300.25
Nickel			
Free Mkt	250/280c	......	249/279c
Palladium oz	$96.75	......	$114.40
Platinum oz	$264.65	+1.30	$284.75
Quicksilver†	$280 290	......	$280/290
Silver troy oz	485.95p	+3.85	515.90p
3 mths	500.75p	+3.85	530.90p
Tin cash	£9665	+15	£9415
3 mths	£9542.5	+15	£9402.5
Tungsten	575.66	......	574.36
Wolfram 22 04lb	$58/66	......	$68/71
Zinc	£580.5	-2	£665
3 mths	£590.75	-1.75	£664.5
Producers	$950	......	$960

OILS	June 11 1985	+ or —	Month ago
Coconut (Phil)	$617.50	+7.50	$720
Palm Malayan	$570y	+10	$630
SEEDS			
Copra Phil	$375	......	$430
Soyabean (U.S.)	$257.50w	-3.25	$242.25
GRAINS			
Barley Fut. Sep	£98.15	-0.20	£98.20
Maize	£146.50	-1	£150.08
Wheat Fut. Sept	£98.88	+0.05	£128.70
No. 2 Hard Wint.	‡	......	‡
OTHERS			
Cocoa Ft. Sept.	£1782.5	+6.5	£1842.5
Coffee Ft. Sept.	£2117.5	-4.5	£2105.5
Cotton A Index	62.80c	-0.45	66.40c
Gas Oil July	$210.75	......	$217.0
Rubber (kilo)	66p	+2	64p
Sugar (raw)	$82.5	......	$88
Wooltops 64s	457pkilo	......	486pkilo

‡ Unquoted. a May-June. v June-July. w Sept. y July. † Per 76-lb flask. c Cents per pound.

INDICES

FINANCIAL TIMES

June 10	June 7	M'th ago	Year ago
276.48	283.42	294.42	306.76

(Base: July 1 1952 = 100)

REUTERS

June 11	June 10	M'th ago	Year ago
1778.5	1774.7	1885.2	1947.7

(Base: September 18 1931 = 100)

MOODY'S

May 14	May 13	M'th ago	Year ago
921.9	923.2	—	—

(Base: December 31 1931 = 150)

DOW JONES

Dow Jones	June 6	June 5	Month ago	Year ago
Spot	117.78	117.47	—	140.63
Fut.	120.81	120.21	—	140.51

(Base: December 31 1974 = 100)

GOLD

Gold rose $3 an ounce from Monday's close in the London bullion market yesterday to finish at $315-315½. The metal opened at $313-313½ and traded between a high of $315½-312 and a low of $312½-313¼. After an early sell off in Europe, renewed buying developed out of the U.S., helped by the dollar's weaker trend.

GOLD BULLION (fine ounce) June 11

Close	$315-315½	(£249-249½)
Opening	$315 315¼	(£247¾-248¼)
M'n'g fix.	$313.25	(£247.962)
Aft'n'n fix.	$315.00	(£240.307)

GOLD AND PLATINUM COINS

Kr'g'r'nd	$391½-322	(£254¼-254½)
½ Krug.	$167¼-167¾	(£162¼-162¾)
¼ Krug.	$85½-86	(£67½-68)
1/10 Krug.	$35 35½	(£27¾-28)
Mapleleaf	$324 324½	(£256¼-256½)
New Sov.	$74¾ 75¼	(£50 59½)
½New Sov	$46¼-45¾	(£35¾-36¼)
Old Sov.	$76½-77	(£59¾-61)
$20 Eagle	$456-490	(£355¾-387¼)
Noble Plat	$271¼-276¼	(£215¼-218¼)

SILVER

Silver was fixed 3.85p an ounce higher for spot delivery in the London bullion market yesterday at 485.95p. U.S. cent equivalents of the fixing levels were: spot 613.75c, up 5.35c; three-month 625.25c, up 5.35c; six-month 637.75c, up 5.5c; and 12-month 664.15c, up 5.5c. The metal opened at 487½-480½p (617-620c) and closed at 482½-485½p (610-613c).

SILVER per troy	Bullion fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	485 99p	+3.85	486.5p	+6.3
3 months	500-75p	+3.85	502.0p	+4.75
6 months	515 50p	+4.00	—	—
12months	546.95p	+4.10	—	—

LME—Turnover: 43 (46) lots of 10,000 oz.

Morning: large three months high 503, low 501.

FREIGHT FUTURES

The traded volume was greatly improved today and can be attributed to the good two way trading that followed strong commission house and trade selling. October and January recorded lows of 910 but improved slightly on the closing call, reports Clarkson Wolff. The Baltic Freight Index was 922.5, down 3.5.

	Close	High-Low	Prev.
July	887 890	890 885	884 885
Oct.	016-018	018 010	615.5-916
Jan.	916 912	918-910	915.912
April	875 980	—	980 1000
July	895 936	—	910.025
Oct.	975 980	980-980	965 980
Jan.	980 1020	—	970 1020
April	1070 1126	—	1060 1130

GRAINS

July wheat reached 50 up before quietly easing on weaker physical market to close at the day's low. New crop saw commercial buying to improve 25p but failed to hold as hedge selling entered the market and closed on a weaker note, reports Muirpace.

WHEAT Mnth	Yesterd'ys close	+ or —	BARLEY Yesterdys close	+ or —
July	118.60	+0.35	—	—
Sept	92.85	+0.85	96.15	-0.20
Nov	100.15	-0.05	101.25	-0.20
Jan	105.80	-0.10	106.50	-0.15
Mar	109.20	-0.10	108.50	-0.20
May	110.50	-0.25	111.30	-0.20

Business done—Wheat: July 118.80-8.60, Sept 99.00-8.50, Nov 102.40-2.15, Jan 106.15-5.90, March 109.55-8.30, May 112.85 only. Sales: 207 lots of 150 tonnes. Barley: Sept 98.45-8.35, Nov 102.15-1.90, Jan 105.50 only, March 108.89-8.50. Sales: 49 lots of 150 tonnes.

LONDON GRAINS—Wheat: U.S. dark northern spring No 1 15 per cent. July 143, Aug 140.25, Sept 139.85, Oct 143.75, sellers transhipment East Coast. U.S. No 2 Soft red winter, July 124.50, Aug 126.90, Sept 130.45, Oct 131.50, sellers. English Feed fob. June 121, Aug/Sept 99.00, Sept 100, Oct/Dec 104, Jan/Mar 110, sellers. Maize: U.S. No 3 Yellow/French transhipment East Coast, June 145.50, sellers. Barley: English Feed fob. July/Aug 97.50, Aug 98.50, Oct/Dec 104.50, sellers East Coast, Rest unquoted.

HGCA—Locational ex-farm spot prices: Fed Wheat: S. East 117.80, S. West 115 20, W. Mids 117.80; Feed Barley: S. East 11.40, W. Mids 110.00. The UK monetary coefficient for the week beginning Monday June 17 (based on HGCA calculations using 5 days exchange rates) is expected to remain unchanged.

COFFEE

With weather conditions improving in the Brazilian coffee belt robusta futures had a quieter session with prices locked in a narrow range. Early commission house buying was easily absorbed by trade selling and prices drifted back towards Mondays lows until support from U.S. operators steadied prices in the afternoon, reports Draxel, Burnham and Lambert.

COFFEE	Yestord'ys Close	+ or —	Business Done
July	2068 59	-4.0	2085 65
Sept.	2117 18	-4.5	2138-10
Nov.	2156-57	—	2178 56
Jan	2101 05	+7.5	2202-61
March	2181 90	+9.0	2193 96
May	2170 00	+7.5	—
July	2160.00	+10.0	—

Sales: 1,659 (4,084) lots of 5 tonnes. ICO indicator prices (U.S. cents per pound) for June 10: Comp daily 1979 132.43 (133.69), 15-day average 131.81 (131.77).

COCOA

Futures were more active today and closed on a reasonably steady note with the near positions appreciating some £15.00 on the forwards. Physical interest was apparent with both producers and consumers making light forays into the market for new crop cocoa, reports Gill & Duffus.

COCOA	Yesterday's Close £ per tonne	+ or —	Business Done
July	1800-1801	+17.0	1804-1785
Sept.	1709-1783	+9.5	1786 1772
Dec.	1751-1754	+4.0	1758-1742
Mar.	1759-1760	+1.0	1767-1749
May	1763 1766	-7.0	1770-1759
July	1766-1778	-5.5	1775-1775
Sept.	1776-1785	-6.5	—

Sales: 3,422 (1,687) lots of 10 tonnes.

ICCO indicator prices (U.S. cents per pound). Daily price for June 11: 96.68 (95.65); five-day average for June 12: 95.99 (95.73).

SUGAR

LONDON DAILY PRICE—Raw sugar $82.50 (£85.50), unchanged (unchanged) a tonne for June/July delivery. White sugar $135.50, up $1.00. Reports that inter-operation business was continuing at increasing premiums to futures prices helped prices to recover somewhat, reports C. Czarnikow.

No. 6 Contract	Yest'day's close	Previous close	Business done
	$ per tonne		
Aug	89.0-89.0	88.0-88.2	88.6-88.8
Oct	91.4-91.8	90.8-91.0	92.8-51.0
Dec	96.8-97.4	96.8-97.6	98.8-97.4
Mar	108.2-108.6	108.4-108.8	109.8-108.2
May	115.0-115.8	115.0-115.8	115.8-115.8
Aug	118.8-120.0	120.0-120.4	120.8-120.0
Oct	124.0-125.0	125.8-125.4	125.0-125.0

Sales: 1,634 (1,326) lots of 50 tonnes. Tate and Lyle delivery price for granulated basis sugar was £167.00 (same) a tonne for export.

International Sugar Agreement—(U.S. cents per pound fob and stowed Caribbean ports.) Prices for June 10: Daily price 2.69 (2.71); 15-day average 2.78 (2.79).

SOYABEAN MEAL

The market opened £1.00 lower on trade selling, reports T. G. Roddick. Prices continued to drift on through the day closing on the lows.

	Yesterday close £ per tonne	+ or —	Business Done
June	114.0-115.0	-1.00	—
August	112.8-113.3	-1.20	114.0-114.9
October	114.5-114.6	-1.50	115.5-116.7
Dec	120.1-120.5	-1.80	120.1-120.0
Feb	126.8-127.0	-1.15	126.0-126.0
Apr	127.5-128.5	-1.00	—
June	127.6-128.8	-1.05	—

Sales: 201 (358) lots of 20 tonnes.

OIL

Brent staged an overnight recovery. July gained 30 cents and August and September 20 cents. Jun Forties traded at $26 and Ninian close to that level. June Brent is assessed at $26.50/60. Nymex WTI for July opened 18 cents up and traded 27 cents up at noon EST. In the petroleum products market prompt gasoil prices slightly firmed. Bad weather in the Baltic has delayed some Russian liftings. This has led to some unfulfilled June 1-19 contracts and created some short-covering demand, Petroleum Argus London.

SPOT PRICES

CRUDE OIL—FOB ($ per barrel)—July	Latest	Change + or —
Arab Light	26.40-26.45	—
Arab Heavy	24.95-25.05	—
Dubai	25.90-25.05	—
Brent Blend	26.10-26.20	+0.30
W.T.I. (1pm est)	27.00-27.05	+0.30
Forcados (Nigeria)	26.10-26.50*	—
Urals. (cif NWE)	25.40-25.60*	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	280-282	-2
Gas Oil	212-213	+1
Heavy fuel oil	122-128	—

* June

Petroleum Argus estimates

GAS OIL FUTURES

Month	Yest'day's Close $ U.S. per tonne	+ or —	Business Done
July	212.50	+2.00	212.50-10.75
Aug	210.75	+0.75	212.00-10.00
Sep	212.00	+0.25	213.75-11.25
Oct	214.95	-0.75	216.00-11.75
Nov	216.25	-0.75	—
Dec	219.25	-1.75	—
Jan	220.00	—	—

Turnover: 1,681 (1,888) lots of 100 tonnes.

POTATOES

Bearish sentiment continued to prevail. Futures dropped into new contract lows early in the session, and despite good buying interest from one quarter in particular at £78.50 basis April, values were down once more. Late afternoon short-covering on the closing call brought about a mild recovery but the tone was still weak, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business Done
	£ per tonne		
Nov	59.80	50.10	60.20-59.00
Feb	66.50	68.30	66.60-66.00
Apr	78.00	79.00	78.80-77.20
May	84.00	84.80	84.90-85.00

Sales: 439 (358) lots of 40 tonnes.

PIGMEAT

Prices remained unchanged in very light volume, reports CCST Commodities.

Month	Yesterdays close	Previous close	Business done
	p. per kilo (deadweight)		
Aug.	100.50	100.60	—
Oct	105.70	106.80	—
Nov	106.00	105.90	106.00
Feb	99.00	99.20	99.00
April	00.50	99.30	—
June	97.00	97.00	—

Sales: 9 (20) lots of 50 carcases, 3,250 kg.

RUBBER

PHYSICALS—The London market opened sharply higher, traded quietly throughout the day and closed on a slightly easier note, reports Lewis and Peat. Closing prices (buyers) spot 65.00p (64.00p). July 68.75p (67.00p). August 68.75p (67.25p). The Kuala Lumpur fob price for RSS No 1 was 199.00 (196.25) cents a kg and for SMR was 177.0 (same).

U.S. MARKETS

A CONSTRUCTIVE wheat crop estimate produced higher wheat prices on the opening which were maintained throughout the day, reports Heinold Commodities. Soyabean complex opened weak on reports of general precipitation. Professional buying triggered local short-covering which wiped out all losses in old-crop months and rallied the new-crop months from their lows. Maize opened weak on the turn in the weather, but rallied on short covering ahead of the close. Precious metals tracked currency movements throughout the session in their dealings. Copper remained in its recent trading range, awaiting economic data due out later this week. Sugar attracted bargain hunting following yesterday's decline to new contract lows. Cocoa opened higher in reaction to a weaker dollar and continued to firm on technically inspired buying and concern about tight nearby cash supplies. Reports of light frost in Brazilian growing areas lifted coffee values on the opening but profit-taking and a reassessment of weather prospects resulted in net losses for the day. Cotton deteriorated in the absence of fresh fundamental features.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
June	45.45	—	—	45.50
July	45.55	45.70	45.45	45.75
August	45.95	—	—	46.05
Sept	46.35	46.35	46.15	46.45
Dec	47.40	47.20	47.20	47.50
Jan	47.75	—	—	47.85
March	48.45	—	—	48.55
May	49.15	—	—	49.25
July	49.85	—	—	49.95
Sept	50.55	—	—	50.65

COCOA 10 tonnes, $/tonne

	Close	High	Low	Prev
July	2110	2112	2007	2084
Sept	2064	2065	2041	2040
Dec	2044	2045	2020	2026
March	2043	2044	2020	2024
May	2043	—	—	2024
July	2050	—	—	2043

COFFEE "C" 37,000 lbs, cents/lb

	Close	High	Low	Prev
July	145.30	147.50	145.20	147.03
Sept	140.96	149.65	146.95	148.06
Dec	147.02	148.75	147.01	147.87
March	145.40	147.50	146.30	140.92
May	145.63	146.05	140.05	145.55
July	144.00	144.00	144.00	143.75

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
June	60.50	60.25	60.25	60.20
July	60.80	60.85	60.35	50.50
August	61.25	—	—	60.95
Sept	61.70	61.70	61.35	61.40
Dec	62.75	62.85	62.40	62.40
Jan	63.00	—	—	62.65
March	63.45	63.35	63.10	63.15
May	63.90	—	—	63.55
July	64.30	64.10	64.05	64.00
Sept	64.70	64.55	64.55	64.45

COTTON 50,000 lbs, cents/lb

	Close	High	Low	Prev
July	62.36	62.90	62.12	62.83
Oct	61.27	61.65	61.20	61.65
Dec	61.68	62.00	61.55	62.19
March	62.65	63.00	62.57	63.21
May	63.00	63.30	63.00	63.59
July	63.52	63.85	63.50	63.92

CRUDE OIL (LIGHT) 42,000 U.S. gallons, $/barrels

	Close	High	Low	Prev
July	26.97	26.97	27.10	26.87
August	26.08	26.10	26.25	26.03
Sept	25.61	25.67	25.92	25.58
Oct	25.41	25.52	25.65	25.39
Nov	25.25	25.35	25.46	25.25
Dec	25.16	25.16	25.24	25.05
Jan	24.95	25.01	25.01	24.95
Feb	24.90	24.90	24.90	24.50
March	24.88	—	—	—
April	24.88	—	—	—

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
June	313.0	316.3	313.0	314.1
July	315.4	—	—	316.7
August	316.9	318.7	316.1	317.2
Oct	320.7	322.2	320.0	320.8
Dec	324.5	326.6	323.8	324.8
Feb	328.7	330.5	329.0	329.0
April	332.8	—	—	333.2
June	337.5	—	—	337.8
August	342.3	—	—	342.6
Oct	347.3	347.9	347.6	347.2
Dec	352.3	—	—	352.6
Feb	357.5	358.4	357.3	358.1
April	363.4	—	—	363.7

HEATING OIL 42,000 US gallons, cents/US gallon

	Close	High	Low	Prev
July	67.95	69.50	67.80	67.68
August	67.10	67.50	67.00	66.77
Sept	67.55	67.95	67.50	67.25
Oct	68.10	68.70	68.00	67.94
Nov	69.00	69.25	69.50	68.85
Dec	69.75	70.20	69.75	69.50
Jan	70.75	70.75	70.75	70.25
Feb	70.00	—	—	70.05
March	69.95	—	—	69.95
April	68.25	—	—	68.95

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
July	140.50	146.20	143.90	144.90
Sept	142.90	142.90	141.00	142.00
Nov	141.20	141.00	140.00	140.50
Jan	140.75	140.25	140.00	139.95
March	140.50	140.50	139.70	139.95
May	140.75	—	—	139.95
July	140.75	—	—	139.95
Sept	140.75	—	—	139.95
Nov	140.75	—	—	139.95

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
June	263.5	—	—	262.7
July	264.5	266.5	262.5	263.7
August	—	—	—	—
Oct	269.1	271.0	269.0	268.3
Jan	274.1	275.8	272.5	273.3
April	279.1	281.0	277.6	278.3
July	284.0	—	—	—

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
June	615.2	620.5	620.5	615.0
July	617.7	624.0	617.0	617.5
August	621.4	—	—	621.2
Sept	625.7	632.0	624.0	625.4
Dec	637.9	644.0	637.0	637.5
Jan	642.4	—	—	642.0
March	650.7	655.0	654.0	650.2
May	659.5	—	—	659.2
July	669.5	—	—	668.8
Sept	679.8	682.5	682.5	679.0

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
July	2.82	2.88	2.79	2.77
Sept	2.91	2.95	2.86	2.87
Oct	3.04	3.67	2.89	2.99
Jan	3.40	3.41	3.41	3.40
March	3.80	3.83	3.76	3.77
May	4.01	4.05	3.99	4.02
July	4.25	4.27	4.22	4.25
Sept	4.41	—	—	4.39
Oct	4.54	4.56	4.52	4.55

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
June	60.96	61.00	60.50	60.67
August	63.17	63.20	62.45	62.57
Oct	63.07	63.17	62.75	62.75
Dec	64.67	64.20	63.62	63.67
Feb	64.55	64.60	64.15	64.15
April	65.50	65.50	65.10	65.35
June	65.85	65.85	65.60	65.60

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
June	48.17	48.30	47.55	48.10
July	50.85	51.50	50.32	50.75
August	50.60	50.67	50.20	50.45
Oct	47.42	47.50	47.15	47.32
Dec	48.72	48.80	48.35	48.50
Feb	50.00	50.10	49.19	49.35
April	46.65	46.70	45.80	45.90
June	48.62	48.65	48.25	48.30
July	49.45	49.55	49.10	49.30

MAIZE 5,000 bu min, cents/56-lb bushel

	Close	High	Low	Prev
July	276.6	277.6	275.6	277.6
Sept	262.0	262.2	260.4	262.6
Dec	257.6	258.0	256.0	258.2
March	266.6	266.8	265.2	267.2
May	270.4	270.4	268.4	271.4
July	269.6	270.0	268.4	270.4
Sept	256.0	257.0	256.0	257.0

PORK BELLIES 38,000 lb, cents/lb

	Close	High	Low	Prev
July	68.50	68.90	68.50	68.70
August	68.07	68.20	67.50	67.92
Feb	73.72	73.85	73.19	73.22
March	73.36	73.50	72.95	72.90
May	74.35	74.35	73.86	74.00
July	74.45	74.50	74.00	74.40

SOYABEANS 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
July	586.6	587.4	575.5	582.6
August	580.2	580.4	569.4	577.6
Sept	574.2	574.4	564.0	572.2
Nov	577.4	578.9	566.0	577.4
Jan	585.4	586.0	578.0	587.0
March	595.2	596.2	588.0	587.0
May	603.6	603.0	596.4	605.0
July	609.0	609.0	602.0	610.0

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
July	121.9	122.0	120.0	123.5
August	124.6	124.8	123.4	126.0
Sept	127.0	127.8	126.5	128.9
Oct	130.7	131.0	129.1	131.7
Dec	136.0	136.0	134.3	137.1
Jan	138.5	138.5	137.3	139.7
March	144.0	144.5	142.5	140.2
May	148.0	149.0	147.5	148.2
July	151.0	151.0	150.5	150.5

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
July	31.72	31.75	30.98	31.20
August	30.33	30.40	29.70	29.94
Sept	29.40	29.40	28.65	28.89
Oct	29.32	28.35	27.00	27.70
Dec	27.35	27.49	26.46	26.72
Jan	26.83	26.85	26.58	26.17
March	26.35	26.36	25.35	25.65
May	25.25	25.25	24.90	25.03
July	24.85	24.85	24.40	24.50
August	24.65	—	—	24.50

WHEAT 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
July	323.0	325.0	321.0	321.9
Sept	324.4	326.4	322.8	323.0
Dec	331.4	334.0	331.0	330.4
March	333.0	334.4	331.9	331.4
May	322.0	324.4	322.0	321.6
July	308.4	310.6	306.2	308.0

SPOT PRICES—Chicago loose lard 18.25 (same) cents per pound. New York tin 568.0-557.0 (554.0-556.0) cents per pound. Handy and Harman silver bullion 618.9 (613.50) cents per troy ounce.

OTHER MARKETS

JUTE

JUTE—June/July shipment c and f Dundee, BTC $750, BWC $745, BTD $725, BWD $720; c and f Antwerp BTC $750, BWC $745, BTD $725, BWD $720; c and f Dundee, ex-India June shipment, 40 in 10 oz £26.48, 40 in 7.5 oz £19.53; B Twills £61.29.

COTTON

Liverpool—Spot and shipment sales amounted to 9 tonnes. Minor contracts were under review and support was about in West African styles.

WOOL FUTURES

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg. Aug 540, 542, 541-540; Oct 540, 542, 541-540; Dec 540, 542, nil; Jan 541, 542, 541; Mar 549, 551, 550; May 555, 557, 558-556; Aug 569, 571, 571-570; Oct 569, 571, 571-570; Dec 569, 571, 570. Sales: 78.

MEAT

SMITHFIELD MEAT—Pence per pound. Beef: Scotch killed sides 76.0, 80.0; English forequarters 51.5, 55.0; Ulster hindquarters 93.0, 96.0. Veal: Dutch hinds and ends 139.0, 145.0. Lamb: English small 80.0, 86.0, medium 80.0, 84.0; heavy 78.0, 80.0; Imported: New Zealand PL 65.5, 67.0; PX 65.6, 66.6. Pork: English under 100lb 49.0, 57.0; 100-120lb 51.0, 55.0; 120-160lb 42.5, 46.0.

WHEAT

MEAT COMMISSION—Average fatstock prices at representative markets: GB—Cattle, 99.40p per kg lw (+0.22); GB—Sheep, 188.65p per kg est dcw (-7.92); GB—Pigs, 78.52p per kg lw (+0.45).

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar lacks inspiration

The dollar finished slightly weaker overall in currency markets yesterday but remained within its recent trading levels. There were no new factors to influence the market and although the U.S. unit retained a fairly bullish undertone, the absence of any fresh economic data inhibited the desire to push it beyond DM 3.12 against the D-mark. Tomorrow sees the release of U.S. retail sales figures and these are likely to assume greater importance than usual in influencing market sentiment.

The dollar closed at DM 3.0880 from DM 3.1020, having found support after touching a low of DM 3.08. Elsewhere it finished at SwFr 2.5980 from SwFr 2.6120 and Y249.85 compared with Y250.45. Against the French franc it eased to FFr 9.4125 from FFr 9.4525. On Bank of England figures, the dollar's exchange rate index fell from 146.3 to 145.7.

STERLING — Trading range against the dollar in 1985 is 1.2945 to 1.0525. May average 1.2517. Exchange rate index 79.3 against an opening rate of 79.3 and Monday's close of 79.2. The six months ago figure was 74.7.

Sterling was again confined to a narrow trading range. The market lacked any fresh news to stimulate much movement with high UK interest rates apparently sufficient to deter any uncertainty ahead of this month's meeting of Opec ministers.

The pound closed at $1.2625-1.2635 against the dollar, a rise of 55 points from Monday's close. It was unchanged against the D-mark at DM 3.90 but eased against the French franc to FFr 11.87 compared with FFr 11.8850. Against the Swiss franc it closed at SwFr 3.2825, hardly changed from Monday's close of SwFr 3.2850 and was slightly firmer against the Japanese yen at Y315.50 compared with Y315.00.

D-MARK—Trading range against the dollar in 1985 is 3.4510 to 2.9730. May average 3.1024. Exchange rate index 121.6 against 120.8 six months ago.

The dollar finished towards the day's low in Frankfurt. It closed at DM 3.0870 after a fixing level of DM 3.0898 and compared with Monday's fixing of DM 3.0972 and a close of DM 3.1020. There were no new factors to influence trading and the dollar remained confined to its recent trading range.

STERLING INDEX

	June 11	Previous
8.30 am	79.3	79.2
9.00 am	79.3	79.4
10.00 am	79.3	79.3
11.00 am	79.2	79.3
Noon	79.2	79.2
1.00 pm	79.2	79.3
2.00 pm	79.2	79.3
3.00 pm	79.2	79.2
4.00 pm	79.3	79.2

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu June 11	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian franc	44.9008	45.2357	+0.75	+0.75	±1.5471
Danish krone	8.14104	8.04947	−1.14	−1.14	±1.6419
German D-mark	2.24184	2.24423	+0.11	+0.11	±1.1475
French franc	6.87456	6.83940	−0.51	−0.51	±1.3609
Dutch guilder	2.52595	2.52877	+0.11	+0.11	±1.5171
Irish punt	0.72569	0.716555	−1.26	−1.26	±1.6673
Italian lira	1403.49	1427.81	+1.73	+1.73	±4.0410

Changes are for Ecu, therefore positive change denotes a week currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

	June 11	Prev. close
£ Spot	$1.2680-1.2690	$1.2640-1.2650
1 month	0.55-0.52 pm	0.52-0.51 pm
3 months	1.47-1.44 pm	1.49-1.45 pm
12 months	4.10-3.05 pm	4.10-4.05 pm

Forward premiums and discounts apply to the U.S. dollar

POUND SPOT—FORWARD AGAINST POUND

June 11	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.2600-1.2670	1.2625-1.2635	0.56-0.53c pm	5.18	1.49-1.44pm	4.64
Canada	1.7286-1.7353	1.7300-1.7330	0.48-0.40c pm	3.05	1.27-1.13pm	2.77
Nethlnd.	4.38¾-4.40¼	4.39-4.40	2¼-2⅛c pm	5.97	6⅞-6pm	5.57
Belgium	78.47-78.79	78.56-78.66	30-25c pm	4.20	78-67pm	3.64
Denmark	13.96-14.02	13.97½-13.98½	3⅞-2¾ore pm	2.84	6⅞-6½pm	1.91
Ireland	1.2438-1.2477	1.2446-1.2456	0.15p pm-0.01dis	−0.87	0.35pm-.09d	−0.42
W. Ger.	3.89½-3.90¾	3.89½-3.90½	2½-2⅜pf pm	7.50	6¾-6½pm	6.79
Portugal	221-225	221½-224½	155-475c dis	−15.95	300-1180dis	−13.27
Spain	221-222	221¼-221¾	25-65c dis	−2.17	125-170dis	−2.66
Italy	2,474½-2,490¾	2,475½-2,476½	1 lire pm-3 dis	−0.48	3-8dis	−0.89
Norway	11.19¾-11.23	11.19½-11.20½	3-2¼c pm	2.88	6¾-5¾pm	2.10
France	11.86¾-11.92	11.86½-11.87½	2⅞-2⅛c pm	2.65	6½-5½pm	2.02
Sweden	11.22¾-11.28¾	11.26-11.27	2⅞-3⅞ore dis	−3.46	10-10¾dis	−3.68
Japan	314¾-316¾	315-316	1.91-1.71y pm	5.68	4.91-4.77pm	6.14
Austria	27.36-27.46	27.36-27.43	16⅞-14½gro pm	5.62	41¾-37¾pm	8.79
Switz.	3.27½-3.29	3.27¾-3.28¾	2¼-2c pm	7.77	6-5¾pm	7.15

Belgian rate is for convertible francs. Financial franc 78.95-79.05. Six-month forward dollar 2.63-2.58c pm, 12-month 4.10-3.95c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

June 11	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.2600-1.2670	1.2625-1.2635	0.56-0.53c pm	5.18	1.49-1.44pm	4.64
Ireland†	1.0111-1.0158	1.0132-1.0138	0.43-0.32c pm	4.41	1.22-0.92pm	4.22
Canada	1.3705-1.3720	1.3705-1.3715	0.23-0.26c dis	−2.14	0.62-0.67dis	−1.88
Nethlnd.	3.4730-3.4875	3.4805-3.4815	0.20-0.17c pm	0.64	0.84-0.80pm	0.94
Belgium	62.13-62.36	62.20-62.30	6-7c dis	−1.25	15-17dis	−1.03
Denmark	11.05-11.10	11.07-11.07½	2-2½ore dis	−2.44	4¾-4½dis	−1.62
W. Ger.	3.0800-3.0980	3.0875-3.0885	0.60-0.55pf pm	2.23	1.71-1.66pm	2.15
Portugal	175½-177½	175½-177	200-450c dis	−22.87	450-1150dis	−18.10
Spain	175.00-176.90	175.20-175.50	95-105c dis	−5.83	300-330dis	−7.17
Italy	1,959½-1,970	1,964-1,965	9¼-9¾ lire dis	−5.80	27½-28dis	−5.62
Norway	8.86½-8.89	8.87-8.87½	3½-4ore dis	−5.07	10-10½dis	−4.62
France	9.39-9.44	9.41-9.41½	2.03-2.13c dis	−2.65	6.05-6.35dis	−2.83
Sweden	8.91-8.93¾	8.92¼-8.92¾	6¾-6¾ore dis	−5.74	18½-19dis	−9.40
Japan	249.40-250.00	249.80-249.90	0.37-0.33y pm	1.68	1.00-0.95pm	1.56
Austria	21.65-21.74¾	21.65-21.70	3-2gro pm	1.38	7½-5pm	1.15
Switz.	2.5910-2.6060	2.5975-2.5985	0.65-0.60c pm	2.91	1.75-1.70pm	2.66

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 62.50-62.60.

OTHER CURRENCIES

June 11	£	$		£ Note Rates
Argentina Peso	930.80-952.20	738.10-738.70	Austria	27.30-27.60
Australia Dollar	1.8935-1.8975	1.5026-1.5037	Belgium	78.70-79.60
Brazil Cruzeiro	7,075-7,115	5,610-5,630	Denmark	13.94-14.08
Finland Markka	8.0926-8.1117	6.4130-6.4150	France	11.84-11.96
Greek Drachma	170.65-174.30	135.28-138.12	Germany	3.88¼-3.91½
Hong Kong Dollar	9.8155-9.8955	7.7665-7.7688	Italy	2465-2500
Iran Rial	117.50*	93.50*	Japan	314-318
Kuwait Dinar(KD)	0.3833-0.3838	0.30330-0.30345	Netherlands	4.38-4.42
Luxembourg Fr	78.55-78.23	62.20-62.30	Norway	11.10-11.27
Malaysia Dollar	3.1210-3.1275	2.4690-2.4710	Portugal	213-230
New Zealand Dlr.	2.8055-2.8075	2.2232-2.2282	Spain	214½-223¾
Saudi Arab Riyal	4.6136-4.6179	3.6500-3.6505	Sweden	11.22-11.33
Singapore Dollar	2.8115-2.8165	2.2235-2.2255	Switzerland	3.27-3.30
Sth African Rand	2.5210-2.5331	1.9980-2.0020	United States	1.25½-1.27½
U.A.E. Dirham	4.6414-4.6464	3.6720-3.6730	Yugoslavia	336-355

* Selling rate.

CURRENCY MOVEMENTS

June 11	Bank of England Index	Morgan Guaranty Change %
Sterling	79.5	−10.3
U.S. dollar	145.7	+51.2
Canadian dollar	87.7	−7.0
Austrian schilling	111.8	+5.7
Belgian franc	89.0	−11.2
Danish Kroner	77.4	−5.5
Deutsche mark	121.5	+6.4
Swiss franc	138.9	+7.3
Guilder	112.2	+3.0
French franc	64.0	−15.6
Lira	45.4	−18.2
Yen	155.2	+12.1

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

June 11	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.786803	0.574891
U.S. $	7½	0.995181	0.725219
Canadian $	9.47	*	0.995548
Austria Sch.	4½	21.5740	15.7726
Belgian Fr	9¾	61.8186	45.0357
Danish Kr	7	11.0144	8.04847
D mark	4½	3.06873	2.24423
Guilder	5½	3.45776	2.52877
French Fr	9½	9.34585	6.83940
Lira	13½	1953.21	1427.21
Yen	5	248.295	181.305
Norway Kr.	8	8.82640	6.44799
Span'h Pta.	—	174.477	127.545
Swedish Kr.	11.5	8.8636	6.47592
Swiss Fr	4	2.58227	1.88793
Greek Dr'ch	20½	136.649	99.1557
Irish Punt	13¾	0.980920	0.716553

* C$/SDR rate for June 10: 1.36300

EXCHANGE CROSS RATES

June 11	Pound St'rling	U.S. Dollar	Deutschem'k	J'panese Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.263	3.900	312.5	11.87	3.283	4.395	2476.	1.732	78.60
U.S. Dollar	0.792	1.	3.088	249.0	9.413	2.598	3.481	1965.	1.371	62.25
Deutschemark	0.252	0.324	1.	80.90	3.044	0.842	1.127	634.9	0.444	20.15
Japanese Yen 1,000	3.170	4.003	12.36	1000.	37.62	10.40	13.93	7848.	5.488	249.1
French Franc 10	0.842	1.064	3.285	265.1	10.	2.765	3.703	2086.	1.459	66.22
Swiss Franc	0.305	0.385	1.188	96.12	3.616	1.	1.339	754.3	0.527	23.95
Dutch Guilder	0.228	0.287	0.887	71.79	2.701	0.747	1.	563.4	0.394	17.88
Italian Lira 1000	0.404	0.510	1.575	127.4	4.794	1.326	1.775	1000.	0.699	31.74
Canadian Dollar	0.578	0.729	2.259	182.2	6.856	1.896	2.538	1430	1.	45.39
Belgian Franc 100	1.272	1.607	4.962	401.4	15.10	4.176	5.592	3150.	2.203	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

June 11	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short-term	12⅛-12⅜	7⅝-7¾	9¾-10	7⅛-7⅜	3-3¼	5½-5⅝	10⅛-10¼	13-14	8⅝-8⅞	8⅝-8⅞	6⅜-6⅝	10½-11
7 days' notice	12⅝-12¾	7⅝-7⅞	9¾-10	7-7⅛	2¼-2½	5½-5⅝	10⅛-10¼	13¼-14¼	8¾-9	8¾-9	6-6⅛	10-10½
Month	12⅝-12¾	7⅝-7¾	9⅝-9⅞	6⅝-6⅞	5⅜-5⅝	5½-5⅝	10⅛-10¼	13-13½	8¾-9	8¾-9	6⅛-6¼	9¾-10¼
Three months	12⅛-12⅝	7⅝-7⅞	9⅝-9¾	6⅝-6⅞	5⅜-5⅝	5⅝-5¾	10⅜-10⅝	13¼-13⅝	8¾-9	8⅞-9⅛	6⅛-6⅜	9½-10
Six months	12⅛-12⅝	7⅞-8	9⅝-9⅞	6⅝-6¾	5¼-5⅝	5⅝-5¾	10⅜-10⅝	13¼-13⅝	8⅞-9⅛	8⅞-9⅛	6¼-6⅜	9¼-9¾
One year	12-12⅛	8¼-8⅜	9¾-9⅞	6⅝-6¾	5¼-5½	5⅝-5¾	10⅜-10⅝	13½-14	9¼-9½	9⅛-9⅜	6⅜-6⅝	9½-10

Asian $ (closing rates in Singapore): Short-term 7 11/16-7 13/16 per cent; seven days 7 11/16-7 13/16 per cent; one month 7 11/16-7 13/16 per cent; three months 7 11/16-7 13/16 per cent; six months 7⅞-8 per cent; one year 8¼-8½ per cent. Long-term Eurodollars: two years 9¼-9½ per cent; three years 9¾-10 per cent; four years 10-10¼ per cent; five years 10¼-10½ per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

FINANCIAL FUTURES

Small recovery

Euro-dollar prices finished towards the best level of the day in the London International Financial Futures Exchange yesterday. Much of the day's activity was confined to chart trading in the absence of any fresh economic data. The effects of last Friday's U.S. unemployment figures appeared to be wearing off and prices retained a generally bullish undertone amid expectations that statistics due for release later this week would fail to show any upturn in economic activity.

Comments by Martha Seger, Governor of the U.S. Federal Reserve Board, gave rise to market hopes that the Fed may take a more accommodative stance if the U.S. economy fails to pick up towards the end of this year and this helped values to finish close to the day's highs.

Sterling based instruments tended to reflect the fortunes of the pound against the dollar and unlike the Euro-dollar sector where there was a reasonable volume, three month sterling deposits contracts suffered from a lack of participation and quotations were confined to a very narrow range. Both short sterling and gilt prices finished up on the day.

LONDON

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev
Sept	91.93	91.94	91.86	91.89
Dec	91.45	91.45	91.38	91.36
March	91.03	91.03	90.95	90.94
June	90.69	90.60	90.58	92.19
Sept	90.30	—	—	87.32

Est. volume 726 (4,099)
Previous day's open int. 15,649 (15,497)

THREE-MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev
June	87.44	87.44	87.43	87.40
Sept	88.36	88.36	88.29	88.27
Dec	88.83	88.83	88.75	88.72
March	89.04	89.04	89.00	88.95
June	89.08	89.07	89.00	88.95

Est. volume 2,181 (1,647)
Previous day's open int. 7,123 (7,367)

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev
June	106-15	106-14	106-05	106-11
Sept	110-12	110-13	110-04	110-05
Dec	110-22	—	—	110-15
March	110-28	—	—	110-19

Est. volume 1,469 (1,352)
Previous day's open int. 2,965 (3,923)
Basis quote (clean cash price of 13¼% Treasury 2003 less equivalent price of near futures contract) −10 to per (32nds)

STERLING £25,000 $ per £

	Close	High	Low	Prev
Sept	1.2505	1.2506	1.2468	1.2460
Dec	1.2385	—	—	1.2340

Est. volume 67 (873)
Previous day's open int. 5,144 (9,888)

DEUTSCHE MARKS DM 125,000
$ per DM

	Close	High	Low	Prev
Sept	0.3264	0.3266	0.3249	0.3244
Dec	0.3284	—	—	0.3265

Est. volume 43 (19)
Previous day's open int. 234 (235)

SWISS FRANCS SWFr 125,000
$ per SwFr

	Close	High	Low	Prev
Sept	0.3879	0.3879	0.3879	0.3857
Dec	—	—	—	0.3914

Est. volume 1 (nil)
Previous day's open int. 157 (179)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
Sept	0.4021	—	—	0.4009
Dec	—	—	—	0.4041

Est. volume (nil) nil
Previous day's open int. 257 (149)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev
June	130.75	130.80	129.50	129.35
Sept	131.25	131.30	130.15	129.80

Est. volume 898 (610)
Previous day's open int. 1,559 (1,564)

U.S. TREASURY BONDS
8% $100,000 32nds of 100%

	Close	High	Low	Prev
June	78-16	78-20	78-08	77-26
Sept	77-15	77-23	77-08	76-26
Dec	76-12	—	—	75-27

Est. volume 2,551 (2,591)
Previous day's open int. 1,964 (2,181)

CHICAGO

U.S. TREASURY BONDS (CBT)
8% $100,000 32nds of 100%

	Latest	High	Low	Prev
June	78-20	78-23	78-06	77-31
Sept	77-20	77-23	77-07	77-01
Dec	76-23	76-25	76-08	76-01
March	75-25	75-27	75-11	75-03
June	74-27	74-27	74-12	74-05
Sept	74-00	74-00	73-15	73-10
Dec	73-06	73-06	72-31	72-19
March	72-13	72-13	72-13	71-23
June	71-23	71-23	71-23	71-01
Sept	—	—	—	—
Dec	70-17	70-17	70-17	69-22

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev
Sept	92.77	92.79	92.72	92.71
Dec	92.44	92.47	92.39	92.36
March	92.10	92.12	92.05	92.00
June	91.78	91.78	—	91.70
Sept	91.53	91.53	—	91.44
Dec	91.26	91.26	—	91.23
March	—	—	—	91.03
June	—	—	—	90.85

CERT. DEPOSIT (IMM)
$1m points of 100%

	Latest	High	Low	Prev
June	92.56	92.58	92.52	92.53
Sept	92.25	92.25	92.18	92.15
Dec	91.74	91.74	91.69	91.62
March	91.33	91.33	—	91.12

THREE-MONTH EURODOLLAR (IMM)

	Latest	High	Low	Prev
June	92.26	92.27	92.21	92.23
Sept	91.92	91.93	91.84	91.80
Dec	91.43	91.44	91.35	91.29
March	91.01	91.01	90.93	90.86
June	90.63	90.63	90.57	90.48
Sept	90.33	90.33	90.25	90.17
Dec	90.02	90.02	89.96	89.87
March	89.67	89.67	—	89.59

STERLING (IMM) $s per £

	Latest	High	Low	Prev
June	1.2640	1.2645	1.2605	1.2645
Sept	1.2490	1.2500	1.2465	1.2500
Dec	1.2390	1.2390	1.2380	1.2385
March	—	—	—	1.2250
June	—	—	—	1.2205
Sept	—	—	—	1.2505

GNMA (CBT) 8% $100,000
32nds of 100%

	Latest	High	Low	Prev
June	76-14	76-14	76-02	75-25
Sept	75-26	75-28	75-08	75-05
Dec	—	—	—	74-15
March	—	—	—	—
June	—	—	—	73-14
Sept	—	—	—	73-02

MONEY MARKETS

Rates static in very quiet trading

Interest rates showed hardly any change in London yesterday in very quiet trading. Sterling was little changed and there did not appear to be any new factors to influene the market. Attention is already moving to the Opec meeting at the end of this month and some dealers suggested that even this may fail to provide any new stimulus. Three-month eligible bank bills were bid at 12 per cent against 11 15/16-12 per cent and three-month interbank money finished at 12¼-12 5/16 per cent compared with 12¼-12⅜ per cent.

UK clearing banks base lending rate 12½-12¾ per cent since April 19

The Bank of England forecast a shortage of around £600m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £261m and the unwinding of previous sale and repurchase agreements a further £253m. Exchequer transactions accounted for £40m and banks brought forward balances £100m below target. These were partly offset by a fall in the note circulation of £50m.

To help alleviate the shortage the Bank offered an early round of assistance which totalled £103m and comprised outright purchases of eligible bank bills, £3m in band 1 (up to 14 days) at 12⅜ per cent, £15m in band 2 (15-33 days) at 12⅜ per cent, £14m in band 3 (34-63 days) at 12⅜ per cent and £71m in band 4 (64-91 days) at 12 per cent. Further help was given in the morning of £149m. This comprised purchases of £13m of local authority bills and £24m of eligible bank bills in band 1 at 12⅜ per cent and £71m of eligible bank bills in band 2 at 12⅜ per cent. In band 3 it bought £41m of eligible bank bills at 12⅜ per cent.

In the afternoon the Bank gave additional assistance of £338m through purchases of eligible bank bills, £100m in band 1 at 12⅜ per cent, £165m in band 2 at 12⅜ per cent, £14m in band 3 at 12⅜ per cent and £39m in band 4 at 12 per cent. It also provided late assistance of £25m, making a total of £615m.

FT LONDON INTERBANK FIXING

(11.00 a.m. June 11)

Three months U.S. dollars	
bid 7 11/16	offer 7 13/16

Six months U.S. dollars	
bid 7 7/8	offer 8

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

June 11	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	5.45-5.55	10⅛	2⅝-2⅞	6¾-6⅞	6.03125	15⅛-15⅜	5.15	10⅝-12⅞
One month	5.50-5.60	10⅛-10¼	5-5⅛	5⅞-7	6.31275	15-15⅛	8¾-9	12⅝-10⅞
Two months	5.55-5.70	10⅛-10¼	—	—	—	—	—	12¼-10¾
Three months	5.55-5.70	10⅛-10¼	5⅛-5¼	2¾-6 9/16	6.28125	15⅛-15½	8⅞-9⅛	12⅛-12⅝
Six months	5.6-5.75	10 3/16-10 5/16	—	6 7/16-6 9/16	—	—	8⅝-9⅛	12⅜-10⅝
Lombard	6.0	—	—	—	—	—	—	—
Intervention	—	10⅛	—	2⅞	—	—	—	—

LONDON MONEY RATES

Discount Houses Deposit and Bill Rates

June 11 1985	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	11-13	12⅝-12½	10⅛-12¾	11-10½	—	—	—	—	—
2 days notice	—	—	12½-12⅝	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	12½-12¾	12⅝	12¾-12 13/16	12½-12 9/16	—	—	—	—	—
One month	12 9/16-12⅜	10⅝-10¾	12⅝	12⅞	12½	12¼	12⅛	12¼	12⅜	12⅞
Two months	12⅝-12½	12⅜-12 5/16	12⅝	10¾	12¼	12¼	12	12⅛	12⅜	12¾
Three months	12¼-12⅜	12¼-12⅝	12⅛	12⅝	12⅛	12	11⅞	12	11 15/16	12⅝
Six months	10⅛-10	10¼-10⅜	12⅜	—	—	—	—	11⅛	11⅝	12⅛
Nine months	12-11 15/16	12⅛-12¼	—	—	—	—	—	—	—	—
One year	11 15/16-11 13/16	12-12⅛	12	—	—	—	—	—	—	—

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	13 1/16-12 15/16	—	12 15/16	7.45-7.55	7 11/16-7 13/16	9 1/16-9 7/16
Two months	13 1/16-12 15/16	—	12⅝	7.45-7.35	7¾-8	9 5/16-9 7/16
Three months	13⅛-12⅞	—	12⅝	7.55-7.65	7¾-8	9⅜-9 7/16
Six months	12¾-12⅝	—	12⅛	7.75-7.85	8⅞-8⅛	9 5/16-9 7/16
Nine months	10⅝-12⅜	—	12¼	8.05-8.15	—	—
One year	12⅛-12¼	—	12⅛	8.15-8.25	8⅛-8⅜	9 5/16-9 7/16
Two years	—	11¾	—	—	—	—
Three years	—	11¾	—	—	—	—
Four years	—	11⅝	—	—	—	—
Five years	—	11⅝	—	—	—	—

ECGD Fixed Rate Export Finance IV: Average Rate of interest period May 6 to June 4 (inclusive): 12.677 per cent. Local authority and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 13 per cent from June 1, 1985. London and Scottish Clearing Bank Rates for lending 12½-12¾ per cent. Bank Deposit Rates for sums at seven days' notice 6.69-7.25 per cent (net). Treasury Bills: Average tender rate of discount 11.8517 per cent. Certificates of Tax Deposits (Series 6): Deposits £100,000 and over held under one month 12¾ per cent; one-three months 12¾ per cent; three-six months 12½ per cent; six-nine months 12¼ per cent; nine-12 months 12 per cent. Under £100,000 11½ per cent from June 11. Deposits held under Series 3 12 per cent. The rate for all deposits withdrawn for cash 8 per cent.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10
Broker loan rate	8½-9¼
Fed funds	7⅝
Fed funds at intervention	—

Treasury Bills

One month	6.85
Two month	7.10
Three month	7.15
Six month	7.24
One year	7.38

Treasury Bonds

Two year	100⅜
Three year	102⅝
Four year	105 11/32
Five year	100 9/32
Seven year	106⅝
10 year	107⅜
30 year	107 9/32

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1985 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
100¼	99	Treas 11½pc 1985	99⅞xd	...	11.51	12.98
99	97¾	Treas 8¼pcCnv '85	99	...	8.83	12.58
101	99	Exch. 12¼pc 1985	100	..	12.25	12.05
101	99	Exch. 11¾pc '86	99⅞	...	11.76	11.82
99½	97	Treas. 10pcCnv 1986	98	+	10.13	11.62
94⅞	92¼	Treas 3pc 1986	94	–	3.18	9.41
100	97½	Exch. 10½pc Cv '86	99	..	10.60	11.54
101⅞	99¼	Treas 12pc 1986	100½	+	11.94	11.46
97	94	Treas 8¾pc 1984-86‡‡	97½xd	...	8.75	11.46
105	102	Exch. 14pc 1986	102	+	13.60	11.57
92	87¼	Exch. 2½pc 1986	92	...	2.69	7.85
104	101	Exch. 13¼pc 1987	102	+	12.94	11.56
99½	96	Treas 10¼pcCv '87	98	+	10.45	11.52
90¼	85½	Exch 2½pc 1987	90¼	+	2.75	8.43
99	96	Exch. 10½pc 1987	98½	+	10.66	11.39
93¾	89	Funding 6½pc '85-87‡‡	93¼	+	6.97	10.52
98½	95½	Treas. 10pc 1987	97½xd	+	10.26	11.43
90	84¼	Treas 3pc 1987	90xd	+	3.33	8.29
102	99	Treas. 12pc 1987	101	+	11.86	11.37
93¾	90¼	Treas 7¾pc 1985-88‡‡	93	...	8.31	10.72
98⅞	95¼	Exch 10½pc '88	98	+	10.71	11.31
96	93	Treas 9¾pc Cv '88	95	+	10.16	11.39
85	80	Transport 3pc '78-88	85xd	–	3.50	8.45
95¾	91½	Treas. 9½pc '88	94	+	10.03	11.40
101	97½	Treas 11½pc 1989	100	+	11.45	11.33
99	90	Treas 9½pc Cnv '89	94	+	10.07	11.34
79	79	Treas 3pc 1989	79		3.76	9.27

Five to Fifteen Years

Over Fifteen Years

Undated

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INT. BANK AND O'SEAS GOVT STERLING ISSUES

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DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

1985 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
£97	£81	Mathesons 7¾%	£97	.....	Q7¾%	2.3	18.2	—
35	26	Maunprint 1p	32	–3				
435	375	Metal Box £1	433	+30	17.25	♦	5.8	0.0
170	136	Metal Closures	144	–1	6.7	2.0	6.6	9.0
17	9	Metal Sciences 2½p	12	–1	—	—	—	—
104	73	Midland Marts	104#	.....	4.0	1.8	5.5	13.2
83½	68	Mitchell Cotts	71	.....	t4.0	1.5	8.0	10.2
230	182	Morgan Crucible	213	.....	0.8	1.6	5.4	14.8
32	22	Morris (W) F.A. 20p	30	+1	0.5	♦	2.4	♦
110	91	Moss (Robt.) 10p	107	.....	3.0	2.5	4.0	11.8
81	68	Myson Grp 10p	76	–½	2.5	3.4	4.7	14.4
410	267	NMW Computers	340	–10	6.0	2.7	2.5	20.9
43	33	Nash Inds	33	.....	2.5	1.5	10.8	7.6
48	24	Neil & Spencer 10p	28	.....	♦	—	—	8.4
44	14½	Newman Inds 10p	42	.....	—	—	—	(19.9)
44	18½	Do. 10pc Cm.Cnv.Pf.	39	.....	10%	—	3.7	—
55	43	Nolton	53	.....	1.1	4.5	3.0	0.9
181	146	Norcros	171	.....	8.6	♦	7.4	♦
67	50	Nu-Swift 5p	50	–1	3.0	1.6	8.6	9.6
98	68	Oakwood Grp	98	.....	4.5	1.4	6.6	(14.0)
226	150	Office & Elect	225	–5	7.5	2.4	5.0	11.8
108	82	Oldacre 20p	82	–1	4.0	2.6	7.0	7.3
58	37	Optometrics $0.01	54	.....		—	2.9	57.4
480	312½	Oriflame £1	460	–10	23.4	1.3	7.3	14.3
18	15	Owenstone 12½c	17	.....	4.5c	♦	‡	♦
£178	£158	Ozalid 9pc Cnv 87-92	£174	.....	Q9%	—	5.3	—
185	105	PCT Grp 10p	160	.....	4.8	2.9	4.2	9.8
£14	£10¾	PLM 'B' Sk 25	£11	–¼	Q21.6%	♦	4.8	♦
193	168	PSM Intl	168	–2	5.25	2.5	4.5	11.5
60	50	Pacific Sales 10p	55	.....	2.4	2.2	6.2	(8.3)
204	165	Parker Knoll 'A'	194	.....	9.0	2.8	6.6	7.6
378	287½	Pearson	378	+3	8.5	3.1	3.2	13.1

LEISURE—Continued

1985 High	Low	Stock
232	198	Julianas's Hldgs 2p
268	217	LWT
65	55	Leisuretime Int 10p
162	146	Mngmt. Ag. M. 10p
183	155	Media Tech Int 20p
200	124	Medminster 10p
280	175	Miss World 10p
127½	89	Nationwide Leisure
39	15	Nimslo Int 20c
24¼	19½	Owners Abroad
53	38	Pholax (Lon.)
24½	21½	P'dilly Radio NV 5p
90	47	Pineapple Dnc St 10p
465	366	Pleasurama 5p
119	109	Do. 7pcCvCmRedPf
96	77½	Pres. Entertain 50p
65	28	Radio City 'A' NV
55	43	Radio Clyde N/V
63	37	Riley Leisure 10p
193	143	Saga Hols. 20p
£11¼	540	Samuelson Grp £1
42	25	Sangers Photo 10p
202	138	Scanro 50p
156	128	Scott. TV 'A' 10p
508	319	SeaCo Inc $0.125
15	9	SelecTV 10p
140	20	Spectrum 5p
32	23	TSW 5p
142	108	TVS N/Vtg 10p
235	132	Television Svcs 50p
79	65	Tottenham Hotspur

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LEISURE

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Commercial Vehicles

Components

Garages and Distributors

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This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £800 per annum for each security.

LONDON STOCK EXCHANGE

MARKET REPORT

Uneventful day but equity markets stage modest rally firmer trend in Gilt-edged

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
May 13	May 30	May 31	June 10
June 3	June 13	June 14	June 24
June 17	June 27	June 28	July 8

* "New-time" dealings may take place from 9.30 am two business days earlier.

London equity markets presented a much brighter picture yesterday, despite a continuing dearth of business.

Although the recent drain on market funds remained a restraining factor—Monday's announcement of Hanson Trust's £519m rights issue followed hard on the heels of English China Clays' £86.3m cash call—many blue chip industrials staged a small rally in the absence of further selling. Substantial funds were also thought to be tied up in the £243m Abbey Life offer for sale which closes today.

There were few factors to help the equity market, but the easing of inflationary pressure as shown by the small rise in raw material prices in May, gave a boost to underlying sentiment.

The early announcement of a bid for Capital and Counties worth 225p per share cash from Transatlantic Insurance Holdings enlivened the property sector for a short period. Elsewhere, some of the more recent speculative favourites encountered further profit-taking. However, current bid candidates such as Tate and Lyle and Boots were favoured.

Helped by the speculative interest shown in Tate and Lyle, up 10 at 512p, and Boots, 8 dearer at 193p, the Financial Times Ordinary share index gradually improved to close 7.1 higher at 998.4.

Among overseas issues, Hong Kong stocks sustained a sharp setback amid fears of a secondary banking upheaval in the wake of the failure of the Overseas Trust Bank.

Monday's rally in U.S. bonds together with sterling's overnight improvement and the encouraging trend in raw material prices helped promote a small recovery in Government stocks. Here too, however, business was extremely light. Long-dated stocks opened a fraction higher and edged ahead to settle with gains ranging to ¼. The shorter maturities followed a similar pattern and closed with rises to $\frac{3}{16}$.

Composites revive

Neglected of late as Life issues have taken the limelight in Insurances following the Government's proposed abolition of the State earnings-related pension scheme, Composites returned to favour yesterday. Buying ahead of a two-day investment seminar on the industry to be held this week at the Savoy Hotel prompted double-figure gains in places. Although best levels were not held, Royals still closed 20 higher at 680p, after 687p. General Accident firmed 15 to 620p, after 625p, and GRE ended the same amount dearer at 720p, after 725p. Sun Alliance rose 7 to 465p, while the more speculative Commercial Union hardened a penny to 222p, after 224p. Elsewhere, Legal and General, at 757p, and Prudential, at 725p, gained 7 apiece.

Lloyds rose 7 more for a two-day gain of 15 at 597p following further reports that the IMF has reached agreement with Argentina on a standby loan. Other clearers edged higher with Barclays, 385p, Midland, 355p, and NatWest, 665p, all 5 higher.

Leisure group Brent Walker made a satisfactory market debut; the shares, expected to command a small premium, opened 4 above the offer price of 130p, but slipped to 129p before picking up to close at 132p.

Guinness hardened a couple of pence to 280p, after 285p, after announcing interim profits at the top end of market estimates.

Leading Buildings began cautiously, but a shade firmer for choice. BPB Industries finished a shade better at 258p, after 253p, and Blue Circle a couple of pence firmer at 530p, after 525p. Tarmac remained a steady market and hardened 2 to 606p following the annual meeting, but Redland slipped 3 to 279p ahead of tomorrow's annual results.

ICI continued to trade quietly and moved between 765p and 754p prior to closing 3 dearer on balance at 762p. Elsewhere, Amersham International fell 11 to 357p following comment on the annual results.

Debenhams react

Worries, exacerbated by a Press article, that Burton's shares-and-cash bid for Debenhams is likely to incur a Monopolies Commission reference unsettled sentiment in the latter which dipped 11 to 387p; Burton, still widely rumoured to be preparing an increased offer, advanced a 503p before closing 5 up on balance at 498p. Elsewhere in Stores, Body Shop International met nervous selling ahead of today's half-timer and dipped 40 to 790p.

Standing around 8 easier immediately ahead of the preliminary results, Electrocomponents rallied sharply on news of the 33 per cent annual profits increase to close 17 to the good at 285p. Farnell firmed 7 to 177p and Unitech 8 to 228p in sympathy. Elsewhere among secondary Electricals, Resource Technology jumped 10 to 40p, after 43p, on news of a bid approach. BSR were notable for a recovery of 5 at 80p, while Acorn, the troubled home computer group rescued earlier this year by Olivetti, dropped to 11p before closing a penny lower at 12p following reports that it may sell a number of its subsidiaries because of further liquidity problems. AB Electronics came on offer at 335p, down 15, while Microfocus gave up 10 to 310p. United Scientific reflected fading takeover hopes with a decline of 7 to 193p, after 185p. The recently beleaguered leaders, staged a modest rally. GEC hardened 2 to 176p as did Racal to 186p and Thorn EMI to 436p.

GKN, looked upon as a possible Hanson Trust takeover target, rose 6 to 237p. Elsewhere in Engineerings, Parkfield put on 3 to 65p with the help of call option activity and Richards (Leicester) recorded a speculative improvement of 5 at 60p.

Tate and Lyle, one of several major companies thought to be attracting the attention of Hanson Trust, encountered a late burst of buying interest and closed 10 higher at 512p. Other leading Food issues were irregular. J. Sainsbury firmed 4 to 318p following favourable Press comment, but Tesco softened a penny to 255p awaiting today's annual results. Argyll Group gained 12 to 330p after revealing annual profits some £1m above estimates and a better-than-expected dividend, while Nurdin and Peacock rose 10 to 176p following the chairman's report of a buoyant start to the current year.

Metal Box please

Metal Box were outstanding among the miscellaneous Industrial leaders, rising 30 to 433p in response to the better-than-expected preliminary figures. Reed International featured with a late speculative rise of 19 to 634p to the accompaniment of Hanson Trust bid rumours; the latter closed 4 easier at 215p following comment on the group's proposed £519m rights issue. Beecham added 5 to 375p and Glaxo improved ½ to £13¼. Elsewhere, speculative improvements of 13 and 15 respectively were seen in Relyon, 128p, and Siebe, 610p, while Barham rose 18 to 618p following the chairman's confident remarks at the AGM. Pentland continued to reflect U.S. growth prospects with a fresh rise of ½ to £10¼ and Lep firmed 6 to 263p on reports that its associate, National Guardian Corporation, is to be floated on the U.S. over-the-counter market. Standard Fireworks added 4 to 172p on the results and proposed 50 per cent scrip issue. Blue Arrow, still reflecting recent press comment, added 7 afresh at 210p. Hong Kong stocks sustained a sharp setback as fears of a secondary banking crisis gripped the colony in the wake of the failure last week of the Overseas Trust Bank. Jardine Matheson fell 8½p to 109p, China Light dropped 6½ to 149p and Hutchison Whampoa relinquished 17 at 228p.

Motor Components lacked a decided trend. Buyers again showed occasional interest for Lucas Industries, 3 dearer at 314p, while Kwik-Fit hardened 2 for a two-day gain of 5 at 45p. Dowty, on the other hand, reacted to scattered offerings and finished 6 lower at 194p. Elsewhere Plaxtons (GB), the coachbuilders, slumped 6 to 67p following more-than-halved interim profits and the warning on profit margins. Among Distributors, Caffyns dipped 10 to 156p following second thoughts on the reduced preliminary earnings. In Publishers, East Midland Allied Press A equalled its 1985 peak of 142p before settling 2 net to the good at 138p following the full-year figures and the optimistic statement.

The Property sector displayed one of the day's outstanding features in Capital and Counties which jumped to 228p prior to closing a net 28 up at 23p following the surprise bid of 225p per share from Transatlantic Insurance, a member of the Liberty Life group. The news enlivened interest in recently-subdued Property leaders. Land Securities, 287p, and MEPC, 290p, both improved 3, while Hammerson A moved up 15 to 445p. Great Portland Estates hardened a couple of pence to 152p awaiting today's annual results.

With the exception of Courtaulds, a couple of pence to the good at 140p, and Coats Patons, a penny up at 163p—the latter is regarded as a possible Hanson Trust bid candidate—Textiles displayed losses across the board. Nottingham Manufacturing, 214p, and Dawson International, 278p, gave up 4 apiece, while the absence of takeover developments clipped 5 more from Carpets International at 61p.

Tobacco remained mixed. Imps dipped a couple of pence more to 191p reflecting the lack of news concerning its Howard Johnson operation.

In Financials, Aitken Hume rose 6 to 188p following sharply increased preliminary profits.

Oils firmer

The oil majors remained a subdued market, but managed to register small gains overall. BP closed 7 to the good at 525p, Britoil rose 5 to 250p and Shell hardened a few pence to 687p.

Secondary issues, on the other hand, met with further selling pressure. Saxon Oil dipped 7 more to 378p and Sovereign eased a further 2 to a year's low of 126p while Marinex gave up 3 to 60p and Edinburgh Oil and Gas 7 to 48p. In contrast, Premier Consolidated edged up 2 to 49p following the sharp rise in profits and the one-for-ten scrip issue. Caledonian Offshore remained an outstanding firm feature, advancing 20 more to a year's high of 525p amid persistent takeover rumours. Irish exploration stocks were marked down sharply as dealers attempted to find a support level. Modest demand was uncovered at the lower levels and the majority closed a shade off their lows. Eglington dropped to 58p prior to ending the day 7 cheaper at 60p while Bryson settled 10 down at 117p, and Osceola 6 easier at 38p, after 35p.

Modest rally in Golds

The much steadier performance by the bullion price encouraged a minor rally in South African Gold and related stocks. Eight successive sessions of falling prices brought in a number of "cheap" buyers and an initial improvement in sentiment was quickly followed by a flurry of interest prompted by the closing of bear positions. The Gold Mines index put on 2.5 to 424.4.

Among the heavyweights Vaal Reefs improved ¾ to £31¼ while gains in the region of ¼ were common to Kinross, £13½, Harmony, £10, President Steyn, £20¾ and St Helena, £13¾. Cheaper priced issues were highlighted by Simmer and Jack and Loraine, which added 10 apiece to 205p and 365p respectively. Final dividends from the gold mines in the Gold Fields group were generally regarded as satisfactory. The payment from Venterspost, however, was deemed better-than-expected and the shares responded with a 15 rise to 770p.

Bullion ended the day a net $3 firmer at $315.25.

London-registered Financials rallied after an uneasy opening. Rio Tinto-Zinc were persistently bought after-hours and settled 7 higher on balance at 583p.

Elsewhere, Rand London were unaltered at 33p following the preliminary profits recovery. In Tins, Geevor held steady at 213p in the wake of the full-year results.

The absence of a decided trend overnight Sydney and Melbourne markets—which returned from a public holiday—left Australians with minor changes in either direction. Golds tended to weaken further—Gold Mines of Kalgoorlie dipped 10 more to 455p, Central Norseman lost 5 to 408p and Poseidon 3 to 200p—but the leading diversified issues generally registered small gains.

FINANCIAL TIMES STOCK INDICES

	June 11	June 10	June 7	June 6	June 5	June 4	year ago
Government Secs.	81.58	81.51	81.81	81.83	81.86	82.00	78.67
Fixed Interest	86.12	86.06	86.36	86.37	86.30	86.39	82.54
Ordinary	998.4	991.3	1001.2	1007.5	1017.1	1020.2	943.1
Gold Mines	424.4	421.9	434.2	443.4	444.6	450.9	658.6
Ord. Div. Yield	4.62	4.65	4.58	4.59	4.56	4.54	4.72
Earnings, Yld.% (full)	11.56	11.67	11.56	11.51	11.43	11.42	10.36
P/E Ratio (net) (*)	10.84	10.43	10.54	10.60	10.68	10.59	12.95
Total bargains (Est.)	22,095	21,663	20,667	23,312	22,978	19,245	18,035
Equity turnover £m.	—	503.40	380.70	398.50	551.90	559.97	520.04
Equity bargains	—	18,504	18,196	17,662	18,316	13,046	14,232
Shares traded (ml)	—	185.1	178.6	184.4	225.2	184.2	115.6

10 am 994.9. 11 am 995.2. Noon 994.5. 1 pm 994.9. 2 pm 995.2. 3 pm 996.3.

Basis 100 Govt. Secs 15/10/26. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

* Nil = 10.20.

HIGHS AND LOWS / S.E. ACTIVITY INDICES

	1985 High	1985 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	82.00 (18/4)	78.02 (22/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	86.38 (4/6)	82.17 (22/1)	152.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1024.8 (3/6)	928.7 (8/1)	1024.8 (3/6/85)	49.4 (26/6/40)
Gold Mines	636.3 (15/4)	421.2 (10/6)	734.7 (15/2/83)	43.5 (26/10/71)

Daily	June 10	June 7
Gilt Edged Bargains	160.2	178.7
Equities Bargains	111.3	117.4
Equities Value	611.3	762.5
5 day Average: Gilt Edged Bargains	164.2	187.8
Equities Bargains	116.9	119.2
Equities Value	714.8	717.2

NEW HIGHS AND LOWS FOR 1985

NEW HIGHS (46)

BRITISH FUNDS (1) Treas. 3pc 1992
LOANS (1) Met. Water 3pc B
BREWERS (1) Vaux
BUILDINGS (3) Stockley, Siddall (Wm.), Sharpe & Fisher
STORES (4) Courts A, Hepworth (J.), De Brett (Assoc), Share Drug
ENGINEERING (6)
[illegible]

NEW LOWS (80)

[illegible]

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Index No. Tues June 11 1985	Day's Change %	
1 CAPITAL GOODS (207)	537.85	+0.1	[illegible]
2 Building Materials (23)	626.44	+0.1	[illegible]
3 Contracting, Construction (27)	774.93	-0.4	[illegible]
4 Electricals (14)	1491.51	-0.2	[illegible]
5 Electronics (37)	1434.02	[illegible]	[illegible]
6 Mechanical Engineering (63)	309.83	-0.5	[illegible]
8 Metals and Metal Forming (7)	201.77	+0.4	[illegible]
9 Motors (17)	164.41	+0.9	[illegible]
10 Other Industrial Materials (17)	987.76	-0.8	[illegible]
21 CONSUMER GROUP (178)	671.01	+0.6	[illegible]
22 Brewers and Distillers (23)	698.72	+0.5	[illegible]
25 Food Manufacturing (20)	506.90	+0.2	[illegible]
26 Food Retailing (14)	1396.12	+0.9	[illegible]
27 Health and Household Products (9)	1117.94	+1.5	[illegible]
29 Leisure (23)	693.08	+0.1	[illegible]
31 Newspapers, Publishing (12)	1801.11	-0.1	[illegible]
32 Packaging and Paper (14)	338.24	+1.7	[illegible]
34 Stores (41)	644.45	+0.4	[illegible]
35 Textiles (19)	327.90	+0.1	[illegible]
36 Tobaccos (3)	960.77	-1.8	[illegible]
39 Other Consumer (9)	696.81	[illegible]	[illegible]
41 OTHER GROUPS (98)	758.50	-0.2	[illegible]
42 Chemicals (17)	881.07	-0.2	[illegible]
44 Office Equipment (4)	[illegible]	[illegible]	[illegible]
45 Shipping and Transport (12)	1114.98	-0.8	[illegible]
46 Miscellaneous (53)	876.19	+0.5	[illegible]
47 Telephone Networks (2)	[illegible]	[illegible]	[illegible]
49 INDUSTRIAL GROUP (483)	650.61	+0.3	[illegible]
51 Oils (17)	1134.95	+0.8	[illegible]
59 500 SHARE INDEX (500)	691.45	+0.4	[illegible]
61 FINANCIAL GROUP (113)	477.54	+0.4	[illegible]
62 Banks (6)	469.96	+0.9	[illegible]
65 Insurance (Life) (8)	770.78	+0.6	[illegible]
66 Insurance (Composite) (7)	365.69	+2.0	[illegible]
67 Insurance (Brokers) (7)	1142.14	[illegible]	[illegible]
68 Merchant Banks (11)	229.54	[illegible]	[illegible]
69 Property (50)	627.95	+1.2	[illegible]
70 Other Financial (24)	278.89	-0.9	[illegible]
71 Investment Trusts (106)	594.14	-0.1	[illegible]
81 Mining Finance (4)	278.99	+0.4	[illegible]
91 Overseas Traders (14)	651.98	-0.3	[illegible]
99 ALL-SHARE INDEX (737)	632.06	+0.4	[illegible]
FT-SE 100 SHARE INDEX	1308.1	+8.5	[illegible]

FIXED INTEREST

PRICE INDICES	Tue June 11	Day's change %	Mon June 10	xd adj. today	xd adj. 1985 to date
British Government					
1 5 years	117.72	+0.12	117.57	—	[illegible]
2 5-15 years	129.81	+0.19	129.57	—	[illegible]
3 Over 15 years	136.34	+0.29	135.95	—	[illegible]
4 Irredeemables	145.59	+0.04	145.53	—	[illegible]
5 All stocks	128.29	+0.18	128.06	—	[illegible]
6 Debentures & Loans	109.03	-0.11	109.15	—	5.69
7 Preference	79.31	+0.35	79.03	—	3.16
BRITISH GOVERNMENT INDEX-LINKED STOCKS					
8 All stocks	111.12	+0.03	111.09	—	1.63

AVERAGE GROSS REDEMPTION YIELDS: [illegible]

†Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1985. H Dividend and yield based on prospectus or other official estimates for 1984. Q Gross. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ‖‖ Allotment letters or fully-paid. ■ Introduction. ★ Unlisted Securities Market. ‡ Placing price. † Figures assumed. †† Official London Listing. ‡‡ Dealt in under Rule 535(3).

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Argyll Group	330	+12
Bowater Inds.	283	+6
Capital and Counties	228	+28
Debenhams	387	-11
East Midl. Allied A	138	+5
Equity and Law	270	-3
Legal and General	757	+7
Metal Box	433	+30
Prudential	725	+7
Resource Tech.	40	+10
Sun Life	867	+4
Utd. Scientific	193	-7

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
June 10	June 21	Sept 12	Sept 23
June 24	July 5	Sept 26	Oct 7
July 8	July 19	Oct 10	Oct 21

For rate indications see end of Share Information Service

Stocks favoured for the call included Sun Oil Royalties, Great Western Resources, A. F. Bulgin A, Bryson, Brent Walker, Combined Technologies, Helene of London, Plessey, Parkfield, Premier Oil, GEC, Beatrix Mines, "The Times" Veneer, Francis Sumner and Emray. No puts were reported, although doubles were taken out in Parkfield and West Coast.

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Mon. close	Day's change
Sturge	15	336	[illegible]
Thorn EMI	15	434	[illegible]
Boots	14	185	+5
BTR	13	375	+7
Blue Arrow	12	203	+3
Brammer	12	338	-7
[illegible]	[illegible]	[illegible]	[illegible]

* Partly paid. † 8¾% Cnv. Uns. Ln. stk. 2000 (nil paid).

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS: 17,754

A=Ask B=Bid C=Call P=Put

LONDON TRADED OPTIONS

[illegible]

June 11 Total contracts 7,164 Calls 4,036 Puts 3,128

* Underlying security price.

WORLD STOCK MARKETS

AUSTRIA

June 11	Price Schs.	+ or —
Creditanstalt	353	+8
Goesser	585	
Interunfall	1,690	+70
Laenderbank	339	+8
Perlmooser	330	+15
Steyr-Daimler	171	—4
Veitscher Mag	613	+25

BELGIUM/LUXEMBOURG

June 11	Price Frs.	+ or —
B.B.L.	2,025	
Banq. Int. A. Lux.	5,020	
Bekaert B	5,040	—160
Ciment CBR	3,080	—10
Cockerill	230	—3
Delhaize	9,200	
EBES	3,035	—20
Electrobel	8,580	—120
Fabrique Nat	9,000	—30
GB Inno BM	5,630	—100
GBL (Brux)	1,880	—20
Gevaert	3,950	—30
Hoboken	5,370	—30
Intercom	2,220	—40
Kredietbank	9,050	—50
Pan Hldgs	10,050	
Petrofina	6,890	—10
Royale Belge	12,200	
Soc. Gen. Banq	5,460	—50
Soc. Gen. Belge	1,005	—83
Sofina	7,180	—20
Solvay	4,530	—40
Stanwick Intl	1,500	
Traction el	3,813	—70
UCB	3,420	—130
Wagon Lits	3,300	—100

DENMARK

June 11	Price Knr %	+ or —
Andelsbanken	098	+4
Baltic Skand	680	
CopHandelsbank	292	+10
D. Sukkerfab	500	
Danske Bank	316	+7
De Danske Luft	1,145	
East Asiatic	242	+2
Forenede Brygg.	986	
Forenede Damp.	152	—1
GNT Hldg	406	—3
I.S.S.B.	451	—4
Jyske Bank	655	+15
Novo Ind	1,700	
Privatbanken	285	+3
Provinsbanken	347	
Smidth (F)	252	+1
Sophus Berend	1,050	
Superfos	497	—5

FRANCE

June 11	Price Frs.	+ or —
Emprunt 4½% 1975	1,628	+17
Emprunt 7% 1973	9,060	—90
Accor	880	—2
Air Liquide	648	—10
BIC	569	+2
Bongrain	1,070	—40
Bouygues	826	—14
BSN Gervais	2,600	+17
CIT-Alcatel	1,560	—20
Carrefour	2,200	—33
Club Mediter'n	530xc	—8
Cie Bancaire	672xc	—6
Cofimeg	296.7	—3.3
Damart	2,170	—10
Darty	1,389	+9
Dumex S.A.	704	
Eaux (Cie Gen)	735	—17
Elf-Aquitaine	218	+4.3
Essilor	2,370	—10
Gen. Occidentale	750	—12
Imetal	122.0	—3.6
Lafarge Coppee	930	
L'Oreal	2,568	—17
Legrand	2,300	—15
Maisons Phenix	254	—3
Matra S.A.	1,920	—22
Michelin B	1,040	—11
Midi (Cie)	2,685	+10
Moet Hennessy	1,965	+15
Moulinex	64	+0.9
Nord Est	91.6	
Pernod Ricard	783	—4
Perrier	567	+8
Petroles Fra.	251.9	+4.8
Peugeot S.A.	308	—4
Printemps Au	303	—4
Radiotech	318	+2
Redoute	1,400	+10
Roussel-Uclaf	1,394	—3
Sefimeg	574	+5
Skis Rossignol	1,588xe	+20
Telemech Elect.	2,448	—52
Thomson CSF	538	—6
Valeo	324	—1

GERMANY

June 11	Price Dm.	+ or —
AEG-Telef	135.8	+2.8
Allianz Vers	1052xr	+62
BASF	223	+1.1
Bayer	238.8	+0.8
Bayer-Hypo	349	—0.7
Bayer-Verein	381xd	+3
BHF-Bank	321	+1
BMW	411.5	+25.3
Brown Boveri	317	
Commerzbank	203.7	+0.7
Cont'l Gummi	150	+2
Daimler Benz	616	+0
Degussa	345	
D'sche Babcock	157	—4
Deutsche Bank	549xd	+2
Dresdner Bank	228.1	+0.7
GHH	131.3	+0.5
Hochtief	560	
Hoechst	924xd	+8.7
Hoesch Werke	109.2	+1.3
Holzmann (P)	478	
Horten	180	—2
Hussel	290	+4.0
Karstadt	250	+2
Kaufhof	241.9	+3.9
KHD	265	+1
Kloeckner	70.5	+2.5
Linde	496	+4
Lufthansa	107	+1
MAN	167	—0.8
Mannesmann	191	+0.5
Mercedes Hld.	719	+10
Metallgesel	264.7	+6.2
Munich Rueck	1,785	+45
Nixdorf	591	—0.5
Porsche	1252	+9
Preussag	278.5	—4
Rhein West Elect	169.5	+6.7
Rosenthal	237.0	+1.2
Schering	477	+7
Siemens	574.5	+10
Thyssen	111.9	+5.0
Varta	286	+1
Veba	204	+4
V.E.W.	157.0	+1.0
Verein-West	325	
Volkswagen	278.3	+5.0

ITALY

June 11	Price Lira	+ or —
Banca Com'le	21,700	+1,200
Bastogi-IRBS	235.6	+7.5
B.I.-Invest	5,880	+00
Centrale	3,530	+50
Credito Varesino	4,290	+80
Fiat	3,380	+130
Finsider	70.2	
Generali Assicur.	40,980	+1,600
Italcementi	66,700	+1,705
La Rinascente	881	+36
Montedison	1,760	+39
Olivetti	6,790	+210
Pirelli Co	4,348	+8
Pirelli Spa	9,680	+110
Snia BPD	3,450	+188
Toro Assic.	16,500	+350
do Pref	11,500	+300

NETHERLANDS

June 11	Price Fls	+ or —
ACF Holding	213	+4.3
AEGON	200	+3.3
Ahold	234	+3
AKZO	111.6	+0.8
ABN	456	+4
AMEV	249.8	+1.2
AMRO	80.2	—0.1
Bredero Cert	170.3	—1.3
Bos Kalis Westm.	19.0	
Buehrmann-Tet.	96	
Calland Hldgs.	37	—0.7
Dordtsche Pet'm	171.3	—1.9
Elsevier NDU	121	+0.6
Fokker	131	+1.3
Gist Brocades	189.5	+1.2
Heineken	150.3	+1.6
Hoogovens	61.0	+1.1
Int Mueller	49.8	
KLM	63.5	
Naarden	49.5	—0.3
Nat Ned Cert	86.7	
Ned M'd Bank	191.7	+0.0
Nedlloyd	163.3	+0.3
Oce Grinten	324.3	+2.9
Ommeren (Van)	29	—0.1
Pakhoed	63.5	—0.7
Philips	56.1	—0.2
Robeco	75.9	+0.1
Rodamco	159.9	+0.2
Rolinco	69.9	
Rorento	46.1	—0.1
Royal Dutch	192.4	—0.9
Unilever	548	+1.6
VMF Stork	198	—1
VNU	206	+1
West Utr Bank	107.5	+0.5

NORWAY

June 11	Price Kroner	+ or —
Bergens Bank	157.5	+1.5
Borregaard	440	—0
Christiania Bank	140.5	+1
DenNorske Cred	140.5	—0.5
Elkem	150	—5
Kvaerner	166	
Norsk Data	340xc	—6
Norsk Hydro	103	+0.3
Storebrand	273	—1

SPAIN

June 11	Price Pts %	+ or —
Bco Bilbao	340	
Bco Central	303	+9
Bco Exterior	109	+2
Bco Hispano	150	—1
Bco Popular	350	
Bco Santander	345	—1
Dragados	151	
Hidrola	82.5	—1.2
Iberduero	90.3	—0.7
Petroleos	147.7	—0.3
Telefonica	122.2	+0.9

SWEDEN

June 11	Price Kronor	+ or —
AGA	580	+5
Alfa-Laval	189	+1
ASEA (Free)	380	
Astra (Free)	365	—30
Atlas Copco	104	—1
Cardo (Free)	236	+1
Cellulosa	116	
Electrolux B	265	+1
Ericsson	298	—1
Esselte	385	
Mo och Domsjo	155xc	—3
Pharmacia	188	—1
Saab Scania Free	650	
Sandvik	370	
Skandia	295	—7
Skan Enskilda	48.6	—0.5
SKF	204	+1
St Kopparbergs	141	
Sven Handlesbn	150	—3
[illegible]		

SWITZERLAND

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

June 11	Price Aust.$	+ or —
Gen. Pro. Trust	2.27	—0.01
Hardie (James)	5.1	
Hartogen Energy	3.1	—0.05
Herald W'yTimes	4.53	
ICI Aust	1.9	—0.05
Jimberlana F.P.	0.3	+0.01
Kia Ora Gold	0.15	
Lend Lease	6.8	+0.04
MIM	0.82	—0.01
Mayne Nickless	2.98	—0.02
Myer Emporium	1.96	—0.31
Nat. Aust. Bank	4.33	+0.01
News	7.4xo	
Nicholas Kiwi	1.75	
North Bkn Hill	0.38	+0.05
Oakbridge	0.0	—0.02
Pancont'l	1.58	—0.04
Pioneer Conc	1.75	
Poseidon	3.8	—0.1
Queensland Coal	1.66	—0.01
Reckitt & Coln	3.55	
Repco	1.21	
Santos	5.60	
Smith (Howard)	4.7	
Thos. Nationwide	1.88	—0.06
Tooth	5.64	—0.02
Vamgas	4.05	+0.05
Western Mining	3.8	+0.02
Westpac Bank	4.24	+0.01
Woodside Petrol	1.40	—0.12
Woolworths	8.73	—0.01
Wormald Intl	3.6	

HONG KONG

June 11	Price H.K.$	+ or —
Bank East Asia	25.6	—1.4
Cheung Kong	15.3	—1.1
China Light	14.9	—0.7
Evergo	1.01	—0.03
Hang Seng Bank	45.75	—3.6
HK Electric	7.73	—0.4
HK Kowloon Wh.	5.9	—0.35
HK Land	3.0	—0.4
HK Shanghai Bk.	7.6	—0.3
HK Telephone	94.5	—3.5
Hutchison Wpa	20.6	—1.6
Jardine Math.	11.0	—0.3
New World Dev.	6.63	—0.5
Orient O'seas	2.1	—0.05
[illegible]		

JAPAN (continued)

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO
Prices at 2.30pm
June 11

[illegible]

MONTREAL
Closing prices June 10

[illegible]

Total Sales 2,194,331 shares

OVER-THE-COUNTER Nasdaq national market, 2.30pm prices

Continued from Page 41

[illegible]

LONDON

Chief price changes
(in pence unless otherwise indicated)

RISES

Aitken Hume	158	+ 6
Argyll Group	320	+12
Beecham	378	+ 8
Blue Arrow	210	+ 7
Boots	193	+ 8
Bridge Oil	130	+ 7
Capital & Count	223	+28
Electrocomp	285	+17
GKN	237	+ 8
Lloyds Bank	597	+ 7
Metal Box	433	+30
Nurdin	176	+10
Regalian Prop	154	+ 8
Relyon	128	+13
Resource Tech	40	+10
Royal Insurance	680	+20
Tate & Lyle	512	+10
Unitech	228	+ 8

FALLS

A B Electronic	335	—15
Amersham Int	357	—11
Body Shop Int	790	—40
Brammer	386	—12
Bryson Oil & Gas	117	—10
Caffyns	156	—10
Carpets Int	61	— 5
Debenhams	387	—11
Osceola Hydro	38	— 6
Phoenix Props	61	— 8
Plaxtons (GB)	67	— 6
United Scient	193	— 7

[illegible]

Indices

NEW YORK—DOW JONES

	June 11	June 10	June 9	June 7	June 6	June 5	1985 High	1985 Low	Since Compilation High	Since Compilation Low
Industrials	1,314.87*	1,318.44	1,318.42	1,327.28	1,320.56	1,315.38	1327.28 (6/6)	1184.96 (4/1)	1327.28 (6/6/85)	41.22 (2/7/32)
Transport	651.45*	653.78	653.45	659.83	655.80	651.88	659.83 (6/6)	553.03 (4/1)	659.03 (6/6/85)	12.32 (6/7/32)
Utilities	163.57*	163.67	163.88	163.98	163.32	163.76	164.75 (17/5)	146.54 (4/1)	164.75 (17/5/85)	10.5 (28/4/42)
Trading vol		87.9	99.9m	117.1m	143.6m	115.42	—	—	—	—

	May 31	May 24	May 17	Year Ago (Approx)
Ind Div Yield %	4.65	4.75	4.77	5.61

STANDARD AND POORS

	June 11	June 10	June 8	June 7	June 6	June 5	1985 High	1985 Low	Since Compilation High	Since Compilation Low
Industrials	208.82*	209.37	209.39	211.12	210.83	210.05	211.13 (6/6)	182.24 (4/1)	211.13 (6/6/85)	3.62 (30/6/32)
Composite	189.86*	189.51	189.58	191.06	190.16	190.84	151.86 (6/6)	163.58 (4/1)	151.86 (6/6/85)	4.40 (1/6/32)

	June 5	May 28	May 22	Year Ago (Approx)
Ind div yield %	3.71	3.76	3.74	4.15
Ind. P/E Ratio	11.70	11.58	11.84	10.98
Long Gov Bond Yield	10.05	10.60	10.75	13.44

N.Y.S.E. ALL COMMON

June 11	June 13	June 9	June 5	1985 High	1985 Low
108.57*	108.83	110.68	110.24	110.69 (6/6)	109.43 (4/1)

RISES AND FALLS

	June 10	June 7	June 9
Issues traded	2,005	2,003	2,002
Rises	633	592	866
Falls	900	967	691
Unchanged	472	444	445

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
S Orego	1,838,900	27¾xd	— ⅛
Coca-Cola	1,722,200	68¾	— 1¼
Pac Gas El	1,451,200	19⅞	— ⅛
United Air	1,383,800	58⅛	+3⅝
Detroit Edison	1,323,700	17⅞	—
Litton Inds	1,230,700	85½	+ ⅛
Gulf & Western	1,156,100	40⅝xd	— ½
Nat Semicond	1,033,900	11⅞	+ ⅛
Sperry	1,024,200	55xd	+ ⅛
Nabisco	1,022,800	91½	—

TORONTO

	June 11	June 10	June 8	June 7	1985 High	1985 Low
Metals & Minls	1,813.4*	1,835.8	1,851.8	1,855.8	2180.7 (13/2)	1690.8 (4/1)
Composite	2,714.5*	2,723.8	2,738.1	2,755.5	2766.1 (5/6)	2348.5 (8/1)
MONTREAL Portfolio	132.78*	133.48	134.14	135.12	135.56 (5/6)	117.88 (4/1)

* Indicates pre-close figure

	June 11	June 10	June 7	June 6	1985 High	1985 Low
AUSTRALIA						
All Ord. (1/1/80)	856.9	(c)	858.2	858.5	904.5 (20/5)	715.6 (7/1)
Metals & Minls. (1/1/80)	511.8	(c)	515.5	516.7	585.8 (20/5)	502.5 (7/1)
AUSTRIA						
Credit Aktien (2/1/62)	101.60	100.48	100.24	(c)	101.60 (11/6)	85.31 (24/1)
BELGIUM						
Brussels SE (1/1/80)	2340.46	2368.78	2383.54	2383.20	2384.12 (5/6)	2080.7 (13/1)
DENMARK						
Copenhagen SE (3/1/83)	(u)	(u)	181.85	181.79	193.34 (24/5)	158.44 (8/1)
FRANCE						
CAC General (31/12/82)	230.6	230.7	231.3	231.9	233.1 (31/5)	195.9 (8/1)
Ind Tendance (28/12/84)	129.3	129.3	130.3	130.3	130.4 (31/5)	100.1 (3/1)
GERMANY						
FAZ Aktien (31/12/58)	464.68	458.85	462.58	(c)	484.88 (11/3)	392.45 (8/1)
Commerzbank (1/12/53)	1569.8	1556.9	1565.4	(c)	1589.9 (11/3)	1111.8 (3/1)
HONG KONG						
Hang Seng Bank (31/7/64)	1482.15	1571.87	1542.55	1629.50	1647.68 (17/5)	1220.74 (2/1)
ITALY						
Banca Comm Ital. (1972)	325.34	314.38	311.87	311.95	325.34 (11/6)	228.56 (3/1)
JAPAN**						
Nikkei-Dow (16/5/49)	12756.8	12685.3	12716.6	12716.1	12790.3 (6/5)	11545.2 (5/1)
Tokyo SE New (4/1/68)	1008.85	1004.98	1005.7	1003.73	1008.86 (11/6)	916.93 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	215.6	216.4	214.5	215.9	214.5 (7/6)	186.8 (3/1)
ANP-CBS Indust (1970)	178.6	177.5	178.1	178.3	178.8 (11/6)	147.9 (3/1)
NORWAY						
Oslo SE (4/1/83)	340.02	341.46	342.52	341.55	345.97 (3/6)	288.18 (2/1)
SINGAPORE						
Straits Times (1966)	787.97	803.21	800.32	808.15	852.65 (7/6)	794.33 (13/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	—	945.9	(u)	1087.8	1140.8 (15/4)	856.1 (11/2)
JSE Indust (28/9/78)	—	982.2	(u)	986.6	975.3 (24/5)	787.1 (7/5)
SPAIN						
Madrid SE (28/12/84)	109.69	116.14	110.82	(c)	117.41 (4/2)	101.48 (2/1)
SWEDEN						
Jacobson & P (1/1/58)	1551.14	1548.38	1567.66	1542.54	1486.98 (11/2)	1542.54 (8/9)
SWITZERLAND						
SwissBank Cpn. (31/12/58)	455.4	435.6	438.4	436.8	438.4 (7/5)	399.7 (3/1)
WORLD						
Capital Intl. (1/1/70)	—	215.1	215.5	214.6	914.5 (7/6)	184.6 (4/1)

** Saturday June 8: Japan Nikkei-Dow (c). TSE (c).

Base value of all indices are 100 except JSE Gold—255.7, JSE Industrial—264.3, and Australia, All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

Prices at 3pm, June 11

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
18½	9⅜	AGS			12	34	14	13¾	13⅞	+⅜
21½	13¾	AMF	.50	2.5	59	839	20⅛	19⅝	19⅝	
48⅛	24¼	AMR			11	1711	46⅝	46⅜	46½	+¼
22	16⅝	AMR pf	2.18	8.8		1307	u22¾	22	22⅝	+⅜
25⅞	22⅞	ANR pf	2.67	11.		4	24⅞	24⅛	24⅛	
62⅝	44⅜	ASA	2	4.0		243	49¾	49	49½	+⅜
27	14⅛	AVX	.32	2.3	11	155	14⅜	14⅛	14⅛	−½
26¼	18	AZP	2.72	10.	8	783	20⅛	20	20	
57¼	36¾	AbtLab	1.40	2.5	18	843	56⅞	56⅛	56½	+⅛
25⅞	17⅜	AccoWd	.44	2.0	17	85	22½	22⅛	22⅛	−⅜
24¾	12½	AcmeC	.40	2.7		52	14⅝	14⅝	14¾	+¼
10½	7⅜	AcmeE	.32b	4.0	10	11	8	8	8	−⅛
17½	13	AdaEx	1.82e	11.		139	17½	17⅛	17⅛	−⅛
20	11⅞	AdmMl	.32	3.0	8	69	16	15¾	15¾	
18½	8⅝	AdvSys	.53t	5.0	17	431	10¾	10⅜	10½	−⅛
41⅛	24⅜	AMD			12	5872	27⅜	26¾	27	−½
12¾	6⅞	Advest	.12	1.4		41	9	8¾	8⅞	+⅛
14⅝	9	Aerflex			12	276	13	12⅝	12¾	−⅛
47	27¼	AetnLf	2.64	5.7	34	1021	46½	46⅛	46⅛	−⅜
57⅜	52⅜	AetL pf	5.79e	11		55	55	54¾	54¾	−⅛
37⅜	17⅞	Ahmns	1.20	3.4	14	79	35⅜	35	35⅜	+⅛
3⅜	2½	Aileen				64	3	2⅞	3	
54	38⅝	AirPrd	1.20	2.3	12	339	53½	52⅞	53	−⅜
24⅜	13	AirbFrt	.60	2.6	12	466	22½	21⅛	21½	−1¼
2	1	AlMoa s				43	1¾	1¾	1¾	
33⅜	26¾	AlaP	pfA3.32	12.		11	32⅛	31⅝	32⅞	+⅛
8	6¼	AlaP	dpf.87	11.		20	7⅞	7⅞	7⅞	
76¾	61½	AlaP pf	8	11.		z3530	79½	79	79	+1
84⅝	63½	AlaP pf	9.44	11.		z1590	u85½	83½	85	+1⅞
74	57	AlaP pf	8.18	11.		z650	74	73	74	

[illegible]

Continued on Page 41

NYSE COMPOSITE PRICES

Prices at 3pm, June 11

12 Month High	Low	Stock	Div.	Yld	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
51¾	35⅛	RubrmdS4		1.7	16	109	51	50⅝	50⅝	−⅜
26	14⅝	RussBr			14	1156	22⅛	21½	21⅝	−⅛
19⅝	15⅝	RusTog	.76	4.3	9	211	17⅞	17½	17¾	
28½	17⅞	RyanH	1	5.6	15	180	28	27⅝	27⅞	+¼
20½	18⅝	Ryder s	.60	2.9	6	886	26⅝	26⅛	26½	+½
26¼	12½	Ryland	.60	2.4	17	17	25⅛	24¾	24⅞	+⅜
16⅝	8½	Rymer			5	68	u16½	16⅛	16¼	+⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a—dividend also extra(s). b—annual rate of dividend plus stock dividend. c—liquidating dividend. cld—called. d—new yearly low. e—dividend declared or paid in preceding 12 months. g—dividend in Canadian funds, subject to 15% non-residence tax. i—dividend declared after split-up or stock dividend. j—dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k—dividend declared or paid this year, an accumulative issue with dividends in arrears. n—new issue in the past 52 weeks. The high-low range begins with the start of trading. nd—next day delivery. P/E—price-earnings ratio. r—dividend declared or paid in preceding 12 months, plus stock dividend. s—stock split. Dividends begins with date of split. sls—sales. t—dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u—new yearly high. v—trading halted. vi—in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd—distributed. wi—when issued. ww—with warrants. x—ex-dividend or ex-rights. xdis—ex-distribution. xw—without warrants. y—ex-dividend and sales in full. yld—yield. z—sales in full.

AMEX COMPOSITE PRICES

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Continued on Page 39

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Indecision before further data

INDECISION persisted during trading on Wall Street yesterday as professional traders and investors awaited further indications on the progress of the U.S. economy, *writes Terry Byland in New York.*

Attention is focused on federal data expected later this week relating to retail sales, consumer credit and industrial production which may dispel the uncertainty restraining the markets.

The comment from Ms Martha Seger, a Fed Governor, that the board is pursuing a "very flexible" monetary policy failed to give a much awaited lead.

At 2pm the Dow Jones industrial average was 4.37 lower at 1,314.07.

The Federal bond market remained steady, and the Treasury bond futures contract, which broke through a significant resistance point on Monday, continued to advance. Utility stocks, often an indicator of views on interest rates, were firmer. But the rest of the stock market traded around its recent levels, with takeover stocks and special situations providing the features.

The blue chip equities, however, weakened at mid-session after another round of unsettling news from the technology sector. Burroughs and Sperry disclosed workforce layoffs, and North American Philips and Storage Technology predicted reduced profits.

The gloomy news from the technology sector reversed an attempt by the market to rally from a dull start. Stock in North American Philips, which has technical and licensing agreements with Philips of Eindhoven, the Dutch electronics firm, tumbled by $3⅞ to $38⅛ after predicting a loss for the quarter and the full year. The board's reference to worldwide competition follows similar comments from the consumer electronics industry.

Storage Technology, already under Chapter 11 of the bankruptcy laws eased by $⅛ to $2⅜ following the board's forecast of a $30m loss for the first quarter of the year.

At $60⅞, Burroughs were $⅛ off, after an initial rise melted away following the layoff of workers. The rest of the high-tech sector looked glum. IBM at $126⅝ was $1 down in thin trading and others to turn down included Control Data $⅝ off at $30⅝, and Digital Equipment down $3 at $95⅞ in brisk trading.

But the acquisition by General Motors of Hughes Aircraft reignited bid interest in some technology stocks. Wall Street knows that both Boeing and Ford Motor were active in the bid contest for Hughes, which was finally knocked *down to General Motors for $5bn.*

Ford held steady at $45⅝, and Boeing at $44⅛ was off $⅝.

Gulfstream Aerospace at $18⅝ gained $½ on reports that Chrysler, already holding an option on 20 per cent of Gulf at $19 a share, plans to buy the rest of the equity. GM added $⅛ to $74⅞ and Chrysler $⅛ to $36⅛.

In the search for the next technology bid victim, speculators pushed Grumman, the defence aerospace and passenger vehicle group, to $33½, a net gain of $3⅛ despite the board's denial of any known reason, and its comment that much of the stock is held by past and present employees.

Also active was Sperry, another takeover favourite, which jumped to $56, before news of workforce reductions took the stock back to $55⅞, a net gain of $⅞.

Other aerospace issues were mostly a shade easier. United Technologies eased by $⅛ to $44⅞ and General Dynamics by $⅛ to $73⅞.

Oil stocks were slightly firmer after several weak sessions. Exxon added $⅛ to $51⅞ but Atlantic Richfield at $56⅝ gave up $⅛.

In a mixed airline sector, United plunged by $1⅛ to $56⅞ in hefty turnover as investors realised that the plan to recapture $960m from the pension plan reduces United's exposure as a takeover target. The other domestic carriers edged higher but Pan American shed $⅛ to $6⅛.

In pharmaceuticals, Syntex gave up a further $1⅛ to $62⅞ and Merck at $110⅛ lost a further $⅞ of the recent gain. Pfizer, also vulnerable to dollar worries, gave up $⅝ to $48⅞.

Bank stocks were unaffected by the proposed IMF loan agreement with Argentina which reduces the dangers of a downgrading of bank debts. Manufacturers Hanover, a major creditor, added $⅛ to $39⅞ but BankAmerica at $19⅞ lost $⅛. Bankers Trust slipped $⅞ to $72¼ after two large blocks had been traded.

The success of the weekly treasury-bill auction brougbt modest dips in short-term market rates. Bonds traded a shade below overnight, but saw little business.

TOKYO

Tempo rises on increased confidence

A SHARP revival of buying interest towards the close of trading in Tokyo yesterday boosted the prices of large-capital stocks, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei-Dow market average surged 75.59 points from the previous day to 12,758.93. Volume increased to 437.63m shares from Monday's 348.11m. Gainers matched losers at 413, with 124 issues unchanged.

The Tokyo Stock Exchange index of all first section stocks added 3.95 points to a record high of 1,008.85, eclipsing the previous peak of 1,006.96 set on March 22.

The market opeoed quiet, maintaining the previous day's bearish tone, but it gathered steam in the afternoon, supported by massive buy orders for large-capital issues.

The most actively traded issue was *Mitsubishi Heavy Industries* with 29.95m shares changing hands. It fell to Y296 at one stage on foreign selling of 3m shares, but was bought briskly by institutional investors later to close Y14 higher at this year's new high of Y312.

Large steel groups fared well, with Nippon Steel, the second busiest issue with turnover of 19.11m as it rose Y5 to Y160. Sumitomo Metal Industries and Kawasaki Steel both advanced Y4 to Y154.

Blue chips gained strength on a wide front. Hitachi finished Y15 higber at Y745 after leaping Y33 to Y763, with its volume increasing from Monday's 1.75m shares to 3.58m. Matsushita Electric Industrial gained Y30 to Y1,460, Sony Y80 to Y4,170, Nippon Kagaku Y30 to Y1,230 and Minolta Y42 to Y816.

Biotechnology-related issues were in the spotlight. Shionogi added Y30 to Y845, Yamanouchi Pharmaceutical Y140 to Y2,810 and Kuraray Y40 to Y1,060. But Asahi Chemical lost Y10 to Y1,010.

Nippon Yusen, the third most active stock with 10.69m shares traded, jumped Y14 to Y312, reflecting investor expectations for transportation deregulation. Sumitomo Metal Mining, fourth with 10.39m shares, jumped Y90 to Y1,960.

Recently selected constructions were bearish. Ohbayashi shed Y5 to Y320 and Taisei Corp Y7 to Y256.

Bond trading was active, notably on the inter-broker market, in reaction to the strong performance of the U.S. bond market. The yield on 7.3 per cent government bonds, due in December 1993, fell sharply from the previous day's 6.520 per cent to 6.460 per cent.

SOUTH AFRICA

INDUSTRIALS ended mixed but gold shares continued to recover in Johannesburg, recouping some of the previous day's sharp losses.

Randfontein added R4 to R188 and Loraine gained 35 cents to R9.25 while Driefontein, which subsequently announced a higher final dividend, put on 90 cents to R46.65.

In mining financials, Anglo American rose 40 cents to R28.65 but Gold Fields fell R1.75 to R31.25.

CANADA

HEAVY trading took Toronto slightly higber, although minerals and oil and gas stocks saw small losses.

Turbo Resources, 7 cents higher at 65 cents, rose in active trading after an Alberta court approved the company's financial reorganisation.

In energy issues, Imperial Oil added C$⅛ to C$49⅝, but more typical of that sector was Texaco Canada C$¼ lower at C$32½ and Dome Canada down C$¼ to C$7⅛.

EUROPE

Frankfurt experiences euphoria

A EUPHORIC tone returned to early trading in Frankfurt yesterday as foreign and domestic buyers re-emerged to assert control and steer the market to a new record.

The Commerzbank index rose to its third peak for the month with a 13.3 rise to 1,369.9 spurred by support for a broad range of leading industrial issues.

The market's resilience, following Monday's profit-taking, surprised market observers, particularly as it was displayed during the height of the traditionally dull German dividend season.

Many stocks closed off their peaks as caution surfaced during the afternoon after the influx of foreign buying orders.

News that a major subsidiary of the large insurance group Allianz was expecting good results for the current year sent the stock's shares surging DM 62 to DM 1,352, stamping it as one of the most significant improvers of the day.

Daimler also returned to favour after Monday's selling and led an automotive sector higher. The stock added DM 9 to DM 818. BMW, its major rival, caught up with Daimler's recent advances and closed DM 33.3 higher at DM 419.80. Volkswagen closed DM 3.90 higher at DM 278.50.

Banks, while experiencing renewed interest, were sheltered from most of the buying. Dresdner firmed 70 pfg to DM 228.20 and Commerzbank shared the same increase to end at DM 205.70.

Among electrical stocks, Siemens finished up DM 10 to DM 574.50 while AEG, long ignored during the upward drift finished DM 2.80 higher at DM 135.80.

The bond market was stronger on increased volumes. The Bundesbank sold DM 14.1m after buying DM 28.0m on Monday.

Profit-taking from foreign sources clipped back prices in Paris, while domestic buying sources were dampened by a forecast that France's gross domestic product growth would fail to match last year's level.

Banking issues were the weakest, although engineering stocks also failed to attract interest.

Générale des Eaux came back after Monday's increase to close FFr 17 lower at FFr 733, while Moët-Hennessy continued its climb to close FFr10 higher at FFr 2,685.

Prices in Brussels continued to slide on thin volume, although traders said the fall was a further reaction to recent advances and did not reflect the market's underlying strength.

Wagon Lit was at the forefront of the profit-taking, easing a further BFr 100 to 3,300, while the retail group, GN Inno fell BFr 190 to BFr 3,630.

There was a stabilisation of prices in Amsterdam after the selling of the past few days. However, most stocks did little better than hold their levels in quiet trading.

Aegon was in particular demand ahead of its two-for-one split, which becomes effective on Friday, and closed Fl 3.50 higher at Fl 200.0.

Royal Dutch was again hit by the fears of a cut in oil prices and eased Fl 1.30 to Fl 192.0, while another international, Unilever added Fl 1.60 to Fl 348.0.

Most sectors in Zurich closed little changed as the market continued its consolidation in the wake of the strong advance.

Bank stocks were irregular with Credit Suisse firming SwFr 5 to SwFr 2,670, while the Union Bank and the Volksbank shared SwFr 10 declines to close at SwFr 3,950 and SwFr 1,660 respectively.

Several issues rose to record level in Milan as the market reacted favourably to the outcome of the referendum on wage fixing.

There was a marked increase in the volume of business as both local and foreign investors moved into the market.

Fiat climbed L184 to L3,445 to hit a record while Olivetti firmed a further L210 to L6,790. Montedison was another stock to hit a peak with a L58 rise to L1,779.

Madrid maintained its recent downward trend with banks again singled out for light selling.

Shares in Stockholm were again thinly traded with the Veckans Affarer index down 1.1 at 160.1.

SINGAPORE

THE UNEASE in Hong Kong flowed into Singapore and left investors worried over the extent to which local companies may be exposed to the rescued Overseas Trust Bank.

Speculation that Tan Swoon Swan, a local businessman, may hold credits from OTB took stocks in his companies lower. Supreme Corp plunged 8 cents to S$1.42, Grand United fell 6 cents to S$1.32 and Sigma Metal shed 5 cents to S$2.25.

LONDON

Modest rally as mood brightens

A BRIGHTER picture was presented in London, despite a continuing dearth of activity.

The easing of inflationary pressure, as shown by the small rise in raw material prices in May, gave a boost to underlying sentiment and the FT Ordinary share index added 7.1 to 998.4.

Current bid candidates were favoured. Tate & Lyle rose 10p to 512p and Boost was 8p ahead at 193p. Elsewhere, some of the more recent speculative favourites encountered further profit-taking.

Monday's rally in U.S. bonds together with sterling's overnight improvement and the raw material trend helped promote a small recovery in Government stocks. However, business was extremely light and long-dated stocks edged ahead to settle with gains ranging to ⅛.

Chief price changes, Page 39; Details, Page 38; Share information service, Pages 36–37

AUSTRALIA

TRADERS seemed reluctant to get back into gear after the holiday weekend in Sydney and prices ended easier in dull trading.

Uncertainty over commodity prices and taxation reforms kept foreign buyers on the sidelines and the All Ordinaries index dropped 1.5 to 856.6.

Industrials, however, held their ground against the trend. Barrack added 75 cents to A$2.75, Lend Lease put on 4 cents to A$6.80, while Castlemaine stayed steady at A$5.80.

HONG KONG

RUMOURS that two more Hong Kong banks may be in trouble sent prices sharply lower.

Speculative selling in the banking sector saw Hang Seng Bank move HK$3 easier to HK$46.75, Bank of East Asia drop HK$1.40 to HK$23.50 and Wing Lung Bank HK$3 to HK$37.50.

Investors were also concerned about future prospects for Hongkong Industrial and Commercial Bank's shares which were suspended from trading on Friday after OTB's insolvency. The issue last traded at HK$3.80.

KEY MARKET MONITORS

STOCK MARKET INDICES

	June 11	Previous	Year ago
NEW YORK			
DJ Industrials	1,314.07*	1,318.44	1,115.61
DJ Transport	651.45*	653.79	469.24
DJ Utilities	163.52*	163.67	123.03
S&P Composite	189.26*	189.51	153.06
LONDON			
FT Ord	998.4	991.3	843.1
FT-SE 100	1,308.1	1,299.6	1,075.9
FT-A All-share	632.00	629.24	498.53
FT-A 500	691.45	688.72	545.36
FT Gold mines	424.4	421.9	658.3
FT-A Long gilt	10.64	10.68	10.70
TOKYO			
Nikkei-Dow	12,758.93	12,683.84	10,376.8
Tokyo SE	1,008.80	1,004.90	800.58
AUSTRALIA			
All Ord.	856.9	858.3	679.8
Metals & Mins.	511.8	518.0	454.0
AUSTRIA			
Credit Aktien	101.60	100.48	54.68
BELGIUM			
Belgian SE	2,349.46	2,369.76	—
CANADA			
Toronto			
Metals & Minls	1,919.4*	1,935.8	1,958.0
Composite	2,714.8*	2,723.6	2,250.9
Montreal			
Portfolio	132.78*	133.48	109.47
DENMARK			
SE	n/a	n/a	185.16
FRANCE			
CAC Gen	230.3	230.7	171.6
Ind. Tendance	129.3	129.8	88.4
WEST GERMANY			
FAZ-Aktien	464.68	459.85	346.59
Commerzbank	1,369.9	1,356.6	1,007.5
HONG KONG			
Hang Seng	1,492.13	1,571.87	966.12
ITALY			
Banca Comm.	325.34	314.3	203.62
NETHERLANDS			
ANP-CBS Gen	213.8	213.4	157.2
ANP-CBS Ind	178.8	177.9	125.2
NORWAY			
Oslo SE	340.02	341.46	259.26
SINGAPORE			
Straits Times	797.97	803.21	939.69
SOUTH AFRICA			
Golds		945.9	984.9
Industrials		962.2	957.8
SPAIN			
Madrid SE	109.69	110.14	86.28
SWEDEN			
J & P	1,351.14	1,348.36	1,428.88
SWITZERLAND			
Swiss Bank Ind	435.4	435.3	364.0
WORLD	June 10	Prev	Year ago
Capital Int'l	212.1	213.0	179.2

GOLD (per ounce)

	June 11	Prev
London	$315.25	$312.25
Zürich	$315.25	$312.35
Paris (fixing)	$311.69	$311.01
Luxembourg	$313.25	$312.65
New York (Aug)	$316.90	$317.20

** Latest available figure*

CURRENCIES

(London)	U.S. DOLLAR June 11	U.S. DOLLAR Previous	STERLING June 11	STERLING Previous
$	–	–	1.263	1.2575
DM	3.088	3.102	3.9	3.9
Yen	249.85	250.45	315.5	315.0
FFr	9.4125	9.4525	11.87	11.885
SwFr	2.598	2.612	3.2825	3.285
Guilder	n/a	3.495	4.395	4.395
Lira	n/a	1,973.0	2,476.0	2,481.0
BFr	n/a	62.55	78.6	78.6
C$	n/a	1.373	1.7315	1.7275

INTEREST RATES

	June 11	Prev
Euro-currencies (3-month offered rate)		
£	n/a	12 11/16
SwFr	n/a	5¼
DM	n/a	5⅝
FFr	n/a	10 7/16
FT London Interbank fixing (offered rate)		
3-month U.S.$	7 13/16	7 13/16
6-month U.S.$	8	8
U.S. Fed Funds	7 9/16*	7⅝
U.S. 3-month CDs	7.45*	7.50
U.S. 3-month T-bills	7.15*	7.21

U.S BONDS

Treasury	June 11* Price	June 11* Yield	Prev Price	Prev Yield
9⅝ 1987	100 21/32	8.75	100 11/32	8.80
11⅞ 1992	108 11/32	10.027	106 9/32	10.076
11¼ 1995	107 9/32	10.104	106 27/32	10.14
11¼ 2015	107 29/32	10.412	107 9/32	10.46
Corporate	June 11* Price	June 11* Yield	Prev Price	Prev Yield
AT & T				
10⅜ June 1990	101⅜	10	101⅜	10
3⅞ July 1990	81.00	8.60	81.00	8.60
8⅝ May 2000	84⅛	10.90	84½	10.90
Xerox				
10⅜ March 1993	100⅜	10.55	100⅜	10.55
Diamond Shamrock				
10⅝ May 1993	100	10.65	100	10.65
Federated Dept Stores				
10⅝ May 2013	94⅝	11.25	94⅝	11.25
Abbot Lab				
11.80 Feb 2013	105⅛	11.20	105⅛	11.20
Alcoa				
12⅛ Dec 2012	104⅜	11.75	104⅜	11.75

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
June	78–14	78–23	78–06	77–31
U.S. Treasury Bills (IMM) $1m points of 100%				
Sept	92.77	92.79	92.72	92.71
Certificates of Deposit (IMM) $1m points of 100%				
June	92.57	92.57	92.52	92.53
LONDON				
Three-month Eurodollar $1m points of 100%				
Sept	91.93	91.94	91.86	91.83
20-year Notional Gilt £50,000 32nds of 100%				
June	106–16	106–14	106–05	106–11

COMMODITIES

(London)	June 11	Prev
Silver (spot fixing)	485.95p	482.10p
Copper (cash)	£1,125.50	£1,123.50
Coffee (July)	£2,068.50	£2,072.50
Oil (spot Arabian light)	$26.425	$26.425